Principles of Marketing: Sushil Awale, 2014/15

Unit 1: Introduction

Meaning of marketing

Philip Kotler in 2006 says marketing is the process by which companies creates values for customers and built strong customer relationships in order to capture the value from customer in return.

EVOLUTION OF MARKETING CONCEPTS

Ten thousand years ago exchange, barter system stared when human learnt cultivation

(1) The Production Concept: Oldest concept. Mostly used in eighteenth century. Says consumers favor products that are easily available and highly affordable. Still useful

(a) When demand exceeds supply

(b) When product's cost is too high

Still used in China and under developed countries

(2) Product Concept: Assumes consumers favor good quality, performance, durability and innovative features in the product. Engineers are given more importance. Bata shoes, Dr Martins, Caterpillars, and Tata companies' uses.

(3) Selling Concept: Says large scale selling & promotional efforts makes

Consumers buy products. Specially still used for selling unsought goods or firm facing overcapacity.

(4) Marketing Concept: Prescribes, companies must know the needs and wants of target market and deliver desired satisfaction better than competitors to get success. Have four pillars, i.e. target customers, customer satisfaction, integration of marketing activities, and profitability of company

(5) Societal Marketing Concept: For long run companie's welfare, marketing should deliver value to customers in the way that maintain or improves both consumers and the society well being on environmental, ethical, legal, community issues.

(6) Holistic Marketing Concept: Comprises of relationship marketing (with Customer, Channel, Partners, facilitating institutes, stake holders), integrated marketing with in 4Ps and all department (internal marketing), social responsibility marketing.

(7) Customer Concept: is useful in Business to Business, B2B marketing, for expensive, complex products, if local marketing, if less customer, if customer value is high, IT development.

MARKETING MIX AND ITS COMPONENTS

Marketing mix is the set of controllable tactical tools that the firm blends to produce the response it want in the target market.

These tools/variables con be collected into 4 groups known as "four Ps" i.e. product, price, place and promotion. (7Ps for service marketing i.e., + people, process, physical evidence).

(1) Product: Product means the goods and service combination the company offers to the target market. (With variety, quality, design, features, brand name, packaging, services).

(2) Price: Price is the amount of money customers have to pay to obtain the product. Sticker price, discounts, trade in allowances credit terms, to watch buyer's perception of the product's value are the variables, non monetary costs

(3) Place: Includes company activities that make the product available to target consumers (channels coverage, assortments, locations, logistics & physical distribution). Electronic channel, franchising,

(4) Promotions: Means activities that communicate the merits of the product and persuade target customers to buy it (Advertising, personal selling, sales promotion, public relations).

MARKETING MANAGEMENT TASKS

1. Developing marketing strategies and plans: deciding what to do and how to do at corporate, SBU, and Product levels in the company

2. Assessing opportunities and customer value: understand what are important to customers.
3. Choosing value: deciding the target group and product positioning intentions.
4. Designing value: designing the product, service and setting the price
5. Communicating value: promoting the product to the target group
6. Delivering value: distribution of product on right time and right place.
7. Sustaining growth and value: making profit and retaining customer through research and development, satisfying customers, delivering values and building relationship with customers.

MARKETING CHALLENGES IN NEW MILLENNIUM AND SOLUTIONS

- **The new digital age:** Use of computer, telecoms communications, information, transportation, live satellite broadcast. Internet created new way to learn about and track customers and create products & distribute it. Video conferencing. Cell phones, fax machines, CD – ROM, pen drive, blue tooth, interactive T.V. etc too available. E – Commerce made marketing possible at home, can receive any goods in 24 hours. Use of switches, electronics, voltages, language of zero and one.
- **The Internet:** It allow any time any where connections to information, entertainment and communication. It made close relation with customer & partners. Users in billions. Business to Business e – commence is higher than consumer purchases. Social networking, consumer generated media.
- **Rapid Globalization:** World becoming increasing smaller. marketers are now connected globally with their customers. Every product is getting worldwide markets. Coca-Cola in more than 200 countries, MTV in 140. Eg Bill Blass, US fashion designer selects materials from Australia, designs prints in Italy, designs the dress in Texas and email drawing to H.K. agent to place order in Chinese factory, finished dress will be air freighted to New York for further distribution around the cities. Managers must think globally about the product, competitors & opportunity now
- **The call for More Ethics and social responsibility**: consumerism and environmentalism movements getting strong demanding stricter to take greater responsibility for social and environmental impact of their action. also forced by legislation. Forward looking companies view socially responsible actions as an opportunities to do well by doing good, serving long run interests of their customers and community.
- **The growth of not for profit marketing:** like colleges, hospitals, museums, symphony, orchestras Girl scouts, churches, religious events, NGOS, INGOS. Working to maintain their shrinking flocks. Ads for for recruits in Indian army, energy conservation, discourage smoking, excessive, drinking, drug use. US Government is 24th largest advertiser in USA with budget > $ billion.
- **Brand Parity**
- **Decreased Brand Loyalty**
- **Intense Competition**
- **High Promotion Costs**
- **Change In Retail Business**
- **Deregulation**
- **Quality Orientation**
- **Service Orientation**
- **Relationship Marketing**
- **Holistic Marketing**
- **Internal Marketing**
- **Change In Goal, Role, Authority, Organizational Structure**

- **Conflict Management**
- **Marketing Mix**
- **MIS**

EMERGING CONCEPTS IN MARKETING AND THEIR RELEVANCE

RELATIONSHIP MARKETING

Relationship marketing is building long term mutually satisfying relations with customers in order to earn and retain their long term loyally instead of finding the new ones(transactional marketing).

Based on assumption that customer prefer ongoing relation, retaining present customer is ten times cheaper, in relationship customer buy even if product is inferior.

Evolution of customer: Stranger, acquaintance, friends to partner

Means: Attract, satisfy, build trust, bring commitments

Objectives: Acquiring, satisfying, enhancing, retaining

Relationship marketing strategy:

- market segmentation,
- create at least average core quality,
- creating switching barriers (For examples banks fine the customer if customers pay back their loan in advance and charges when close their account, free mileage (free flight) is provided by airliners to their loyal customer in their airlines. Information of customers are updated by hospitals, clinic, auto service centres for customers. Customers are given membership cards in restaurant, club, and store in small charges. Tea is allowed in the classroom with students. Casual dress, long hair and ear-rings, tops are allowed to student in the colleges. special unique facilities , gym, swimming pool, WIFI zone etc. at college and many more rules regulations, others products and service created by companies creates switching barriers),
- financial bonding (Loyalty cards (provided by *BalSansar Childerns Park, Civil mall*), free mileage card by Buddha air, discount cards provided for regular customers are some other examples of financial bonding),
- social bonding(e. g. Harley Owners Group, club members, college alumnae, ex-students club, ex-service mans clubs etc., How friendship between buyer seller works better for both could be better example of social bonding)
- customization bonding: special/different treatment for each customer accordingly with need.
- structural bonding (E. g. , creating disable friendly passage in the college create the structural bond between disable students and the college; bank opening the branch in the clients premises (BOK at Ohm hospital), certificates, appreciation letters, awards issued by company can create the structural bonding like in DAV College. Decoder, receiver antenna provided by IT companies (like *Worldlink* does) is example of structural bonding means. Another example could be signing MOU. After signing MOU between college and advertising agency teachers can become trainer to advertising agency and advertising agency manager can become guest lecturer for the college.)

Benefits for the Firm (Company) from Relationship Marketing

Increases revenues over time due to regular customers.

Reduces marketing and administrative costs

Ability to maintain margins without reducing price.

Customers buy more, many variety from the same company.

Save start up costs.

Reduces problems and questions, inquiries handling costs
Maintain relationship with prevailing customer saves ten times less than finding the new customer.
Save, reduce ongoing relationship maintenance cost as time goes by relationship maintenance cost reduces.
Generate good word of mouth.
Help sell complex and difficult to evaluate or risk involved product
Help retain employees since employees like to work with satisfied customer and satisfied customers are retained customers who have good relationship with the company.
If company has good relationship with customer, customer helps, cooperates with and encourage other newer customers.

Benefits for Customers from Customer-Firm Relationship

Confidence benefits. Saves switching costs. Social benefits. Service provider keeps total information about customers and able to serve customized services accordingly. Special treatment benefits.Saves start up costs to customer too.

ELECTRONIC MARKETING (direct marketing, e-commerce, internet marketing, digital marketing)

- **E-marketing** consists of buying and selling of products or services over electronic systems such as the Internet, computer networks and other digital/electronic devices.

Use/Practice

- **Use of Internet:** www (world wide wave): world wide excess.
- **Data Depository:** Internet is a central depository of huge amounts of data. It can be accessed all over the world through search engines. Millions of websites inside internet contain information.
- **Networks/methods of e-commerce:** B2B, B2C, C2B, C2C (B: Business, C: Consumer)
- **Voice/video mail, e-mail, chat** has facilitated interactions with customers.
- **Compute,** laptop, scanners, mobile phone, software, Telephone, Videophone, Fax, E-mail, Internet, Websites, Television, Videoconferencing. **EDI** (Electronic Data Interchange for placing orders to suppliers). **ATM**, **Smart cards** information updated. Social networking
- **Databases are built** to provide information about individual customer and their needs and habits.
- **Internet connects with carefully selected customers**.
- **It helps build relationships** to make long term profits.
- **Connecting with stakeholders**
- Internet connects marketing with other departments inside the organization (intranet).
- Internet connects with outside stakeholders, such as suppliers, competitors, middlemen, and marketing intermediaries (extranet).
- **On-line Selling :** Airlines tickets and hotel bookings, Shares and financial services, money transfer, Cars and other vehicles, Computer hardware and software, Books and music, Consumer electronics, Fashion goods, music, videos, education, information
- **Pure-Click companies:** These are those business firms that have launched a website without any previous existence as a firm. E.g. AMAZON.com
- **Brick and Click companies:** These are those existing companies that have added an online site for e-commerce.
- The popular sites in the country are muncha.com, thamel.com, khasi.com, and khasiboka.com. facebook/services marketing scholars.
- **Positive impacts/relevance**
- Direct marketing: No middlemen, customized marketing, one to one, two way

communication, can be done and get feedback immediately, it is relationship building.

- Electronic Marketing: E-commerce has led to growth of sky shops and cyber stores.
- Cost Effective: middlemen commissions are vanishing. E-mail involves a fraction of cost of direct mail.
- Information can be gathered for market research.
- Promotion: Promotion is through e-mail and websites. Ads are placed online.
- Any time, any place marketing possible
- Business to business marketing is growing fast through internet.
- Time and money saving

GREEN MARKETING (Environmental Marketing, Ecological Marketing, Sustainable Marketing, Organic Marketing): is environment friendly marketing.

"Green marketing is the marketing of products that are presumed to be environmentally safe."(AMA)

Making Marketing Green

- Operational Sustainability(avoid wastage is production)
- Green Products(non polluting products)
- Sustainable Marketing(avoid wastage in marketing activities)
- Environmental Causes(sponsor, donate, activate for environmental protections)
- The three Rs: *Reduce, Reuse and Recycle.*

The green marketing mix

- **Product**: A producer should offer ecological products which not only must not contaminate the environment but should protect it and even liquidate existing environmental damages.
- **Price**: Prices for such products may be a little higher because contribute to environment protection.
- **Place**: A distribution logistics is of crucial importance; main focus is on ecological packaging. Marketing local and seasonal products e.g. vegetables from regional farms is more easy to be marketed "green" than products imported.
- **Promotion**: A communication with the market should put stress on environmental aspects, for example that the company possesses a CP certificate or is ISO 14000 certified. company spends expenditures on environmental protection should be advertised. Third, sponsoring the natural environment is also very important.

Reasons for adopting Green Marketing

- As Opportunities or competitive advantage over competitors
- As Corporate social responsibilities (CSR), to get the sympathy
- Due Government pressure, law and regulations
- Competitive pressure: since competitors have started using
- Cost or profit issues: reduce costs and increase profits

Examples of green marketing

- Energy star label in washing machines, refrigerators, CFL light bulbs, etc.
- McDonalds embracing sustainability and green marketing using paper packaging
- Wal-mart embracing green marketing using solar power
- Satya Narayan Brick Factory using smoke less energy efficient VSBK technology.
- Car sharing services. Introduction of CNG in Delhi. Cereals sold without excess packaging. Shade-grown coffee beans. Cleaning supplies that do not harm humans or environment. Wood harvested from sustainable forests. Energy-efficient cars

Unit 2: Marketing Environment: is surrounding elements that affect marketing. Two parts

MICROENVIRONMENT: Consist of the actors close to the company that affect its ability to serve its

customer are as follows

(1) The Company departments: management (decisions, strategies, plans, policies, mission of the company). Financing (funding marketing plan), Research development (for safe & attractive product), Purchasing, Operations (producing & distributing), Accounting (measuring revenue & costs). This is also known as internal environment which consists of organizational objectives, structure, policies, resources, culture.

(2) Supplies: Provide resources needed to company to produce goods & services (supply availability, short tags, delays, strikes).

(3) Intermediaries: Help company to promote, sell & distribute goods to final buyers. They are resellers (wholesales, retailer), Physical distribution firms (warehouse & transportation: cost, speed, safety, consistency wise) Marketing services agencies (research, advertising, media, consulting firms: to target & promote products). Financial (banks, credit companies, insurance co.

(4) Customers: 5 types – Consumer (individual & house hold). Business markets (buy for processing or use in production) Resellers (to resell at profit), Government (Produce Public Services), International markets (all customer in other countries).

(5) Competitors: To be successful, company must provide greater customer sati station than its competitors. Therefore competitors must be closely monitored.

(6) Publics: A public is any group that has an actual or potential interest in or impact on an organizations ability to achieve its objectives.

7 types

(a) Financial publics (Bank investment houses, stock holders).
(b) Media (news papers, magazine, radio, TV).
(c) Government (product safety, truth in ad, law).
(d) Citizen action groups (consumer organizations, environmental groups, minority group).
(e) Local public (neighborhood residence & community organizations).
(7) General Public (publics image affects buying).
(8) Internal Public (workers, managers, volunteers, board of directors of the company).

MACRO ENVIRONMENT: are forces that shape opportunities and poses threat, to the company. E.g.

(1) Demography: Demography is the study of human population in terms of size density, location, age, growth, gender, race, migration, occupation. World population 6.4 billion (2007). One child each policy in china resulted into six pocket syndrome. Gay & lesbian segments. India 2.4% area 16.7% of the world (1028.6million population in 2001 but 1593 m by 2050, (china remains 1392m), population of older increasing, youth making majority in India Nepal (40%), 45% in urban (world), growth 2.3 (Nepal 2001).

(2) Economic Environment: Consists of factors that affect consumer purchasing power and spending pattern. like income, prices, savings, debt, credit availability, Economic system (free market, centrally planned, mixed), economic policies (monetary policy, fiscal policy, industrial policy), Business cycles, Natural resources, Regional Economic groups (SAARC,ASEAN, EU, NAFTA, LAFTA).

(3) Natural Environment: Involves the natural resources that are needed as inputs by marketers or that are affected by marketing activities like pollution, global warming, shortages of raw materials, water, oil, coal, minerals, large cost increase due limited resources. Chemical, nuclear water, soil & food pollution non biodegradable bottles-plastic, packaging therefore regulating agencies, green movement, ecological safer products, recyclable packaging, material, components, better pollution controls & more energy efferent operations. Nepal biologically and geographically most diversified country, greatest water resources, rugged mountains, natural beauty, and herbal plants.

(4) Technological Environment: are forces that create new technologies, creating new products and marketing opportunities: E.g. Organ transplant, antibiotics, laptop, internet, automobile, T.V., credit

cards, air planes, F.M. electric light, dishwashers, AC, photocopy, CD, DVD players, birth control pills, satellites, digital equipments. Company that do not keep up with technological changes, soon will fine their products out dated. Scientists are researching a wide range of promising new technologies.

(5) Political Environment: Consist of laws, governments, judiciary, legislature, agencies and pressure groups that influence or limit various organization and individual in the given society. Govt business laws covering fair competition, fair trade, environment protection, product safety, truth in ad, consumer privacy, packaging, labeling, pricing, social welfare. Norway bans trading stamps, contests premiums. Regulations constantly changing.

(6) Cultural Environment: Is made up of institutions and other forces that affect a society's basic values, perception, preferences and behavior like knowledge, customs, traditions, norms & values, religion, language, symbols, each culture has its own different preference of products on food, drink clothes, dress, materials & services.

SCOPE OF MARKETING ENVIRONMENT

Here scope of marketing environment means the subject of study in the marketing environment. Basically there is following four categories are the scope of marketing study

1. Organizations: all organizations that are involved directly or indirectly falls under scope of marketing environment. Company, competitors, suppliers, wholesaling institutions, retailing institution, , agencies, advertising companies, research agencies, consultancy firm, transport company, bank, insurance company, warehousing companies, , government agencies, social pressure group, citizen group etc.
2. Activities: activities like production, financing , human resource management, research and development, procurement, accounting, all departmental activities are the scope of marketing.
3. Forces; internal forces like share holders, management team, staffs, mission, policies, structure, resources, organizational culture and various other stake holders of the company are internal force are also scope of marketing environment. External forces like political legal, economical, socio-cultural, technological, globalization all are external forces that make the scope of marketing environment.
4. Elements of marketing mix: like product, services , price , promotion, place, people, process, physical evidence, are all falls under scope of marketing environment.
5. Buyers: like institutional customers and non-institutional customers their preferences, purchasing power and buying process all falls under scope of marketing environment.

REACTIVE MARKETING AND PROACTIVE MARKETING

REACTIVE MARKETING is reacting to environmental change, reacting to competitors', governments', customers' actions and reactions to with the market. No plans ahead

- ☐ Waits for crisis
- ☐ Acts to face the problem
- ☐ Conservative style
- ☐ Miss new opportunities
- ☐ Reacts to environmental changes
- ☐ Encourage customers to comment on product
- ☐ Imitates competitors

PROACTIVE MARKETING is anticipating future change and planning and implementing ahead of future requirements. Understanding future and acting appropriately before customers face the problems or realize the needs, acting appropriately before governments' actions, formulations of law and environmental changes. Used to achieve predetermined goals

- ☐ Well planed ahead

- ☐ Research, development, promotion, intelligence, experts, opinion leaders, lobbying, PR tools used
- ☐ Concern with forecasting
- ☐ Move ahead of threats
- ☐ Makes before customer asks
- ☐ Leads the industry
- ☐ Provide customers suggestions
- ☐ Informs about new solutions.

In satisfying customer need, we can draw a distinction between responsive marketing, anticipative marketing, and creative marketing. A responsive marketer finds the stated need and fell it. An anticipative marketer looks ahead to need customers may have in the near future. A creative marketer discovers solutions customers did not ask for but to which they enthusiastically respond. Successful companies instead proactively shape the market to their interests. Instead of trying to be the best player, they change the rules of the game. A company needs two proactive skills; (1) *Responsive anticipation*: to explore customer need and address. (2) *Creative anticipation*: to predict customer need that customer do not realize until offered. Companies need to practice "uncertainty management." Companies that are too risk-averse won't be winner.

Usually companies take the marketing environment uncontrollable But some companies take a proactive steps influence legislations, polices and environmental forces through hiring lobbyists, staging media events (advertorials), press lawsuits, file complaints with regulators, use creative ideas to face, tackle the challenges .

MARKETING ENVIRONMENT IN NEPAL

1. Political legal forces

About 100 political parties. Every year change in government . corrupted judiciary and bureaucracy and weak pressure groups. implementation of law is weak. Now lawlessness in the transition phase after sweeping of the monarchy system

2. Economical environment

Mixed economy private and public companies together, capitalism and socialism mixed. 11th transition plan running .fiscal policies –foreign dependency, tax on consumption than on income. introduced vat. Nepal Rasta bank prescribe monetary policies , Nepal open for foreign investment , India dominant trade partner , china is playing greater role ,smuggling problems open boarder, passports less transit with India . member of SAFTA, WTO (recently), enhancing the role of private sector, all climatic zone, diversified country geographically, huge water resource , energy cost is highest in s. Asia is irony .per capita income is 645 $ in 2012 (The Kathmandu Post),40% below poverty. Feudal economy. Least developedcountry, among most popular tourist destination, carpet, pusmina, garment industry, handicrafts export oriented businesses, labor drainage, strikes regularly, 55% economically active population 15 to 59 years old.GDP growth 3.5.services sector 52% of the GDP.

3.Sociocultural environment

Population around 30 million. Growth rate 2.27%, youth 40% 16-40yrs(16-29 UN), urban population about 2o% joint family systems. patriarchal system, middle class increasing . Working women increasing. People value govt jobs, superstitious, religious, people. 75 ethnic groups, 50 languages.

4. Technological forces

Lack technology and technicians due budget constrains, educational system. Research and development is low. But rich in traditional technology.

Unit 3: Marketing Information System (MIS)

MIS is using people, equipments and procedures to gather, sort, analysis, evaluate and distribute

needed, timely and accurate information to marketing decision makers.
It may provide information to external parties like suppliers, resellers or marketing services agencies.

IMPORTANCE/RELAVANCE OF MIS

1. For decision making :help manager identify and evaluate the alternatives
2. help in planning: help in SWOT analysis to set the right objectives and predetermine course of action, to segment the market, to take right strategy
3. help in implementation: help know the potentials of the people, decide the appropriate time, right procedures, understand competitors moves and help implement marketing mix
4. control: provide the reports on performance and predetermined plans , which help measure difference and take the right steps for control
5. environment adaptation: to respond to the environment changes marketing need up-to-date information
6. customer expectation can be known and fulfilled
7. to confirm market coverage, objective achievement
8. help in non price competition, improving product differentiation, image, services and promotion

COMPONENTS OF MIS.

(I) Internal database: Internal data is electronic collection of information obtained from data sources within the company. Like from accounting department (financial statements, records of sales, cash flows),from operations dept (production schedules, shipments, inventories), from Sales force (reseller & competitors activities),from Marketing dept (customer demographics psychographic, buying behavior, customer satisfaction, service problems, customer database). Some times may need surveys on employees. Internal data bases accessed quickly & cheaply. Internal data Problems: it is collected not for marketing and data ages quickly, out of date.

(II) Marketing Intelligence: Marketing Intelligence is systematic collection of & analyses of publicly available information about competitors and development in marketing environment. Eg quizzing own employers, Bench marking competitors' products, reaching the internet, larking around industry tradeshows, searching rivals trash bins/parking lots, knowing thought suppliers, resellers, customers, annual reports, publication, press releases advertisements of competitors, spying, employing actors, talking to off duty employees

(III) Marketing Research: Marketing Research is systematic design, and analyses and reporting of data relevant to specific marketing situation facing an organization, Eg market potential, markets share, effectiveness of pricing, product, distribution, promotion, advertising research, sales research(efficiency of sales personnel, sales potentials , efficient distribution , forecasting future sales) , motivational research and attitude research

(1111) component: Information Analysis(decision support system-DSS)

data, research require more analysis, advanced statistical analysis, relation with in set of data (stores, analysis and synthesizes). have 3 components data bank(lazar, register, books, computer hard and soft drives, statistical bank (averages, %, dispersion, cross tabulations, multivariate, regression, factor analysis, cluster, conjoint analysis). model bank (synthesis of inter relationships to prescribe the right course of actions): e.g. BCG/GE Matrix, markov model, queuing model, game theory, heuristics,X2/chai-square test.

BCG MATRIX MODEL

Mkt growth High	**star**	**Question mark**
low	**Cash cow**	**dog**

High **Relative market share** low

MARKETING RESEARCH PROCESS

(1) Defining the problem & research objectives: identify problem and needed information for providing solutions. set research objectives on specific information needed .research objectives could be exploratory(what you find) or descriptive(what they do) or causal research(why they do) designs

(2)Developing the research plan: determining research design: Exploratory, Descriptive, Experimental, Causal Qualitative (Pant 2012:104). Source (primary/ secondary). Approaches (observation /survey/experimental). Methods (mail /phone /personal interview / online interview), Population, Sampling (unit: who to survey, size: how many, procedure: random, stratified, clustered, convenience, judgmental, quota). Instrument (questionnaire, mechanical instruments)

(3) Implementing the research plan: (collecting /processing/ analysis):through research staff or out agencies. Monitoring research activities is important to obtain unbiased, accurate information form information collectors

(4) Interpreting and reporting the findings (conclusion and recommendation to specified units of the company): researcher and managers must sit to gather to interpret the findings .

AREAS OF MARKETING RESEARCH

1. corporate research: on image, PR, SWOT, CRS, impact and response to competition
2. Sales research: on sales, forecast, potential, sales force.
3. Competition research: on intensity, strategies, offerings, responses.
4. product research: on new product development stages, on product life cycle
5. price research: on non monetary prices, credit, hire purchase, price response, competitors prices
6. place research: on retailer , wholesaler, agent, distributed, mode, cost, safety, consistency , speed
7. promotion research: on ad objective, ad copy, media, appeal
8. Customer research: on motivation, attitude, appeal, need, satisfaction, profile, behaviours
9. psychological research: on expressions, meaning, word association,rapid fire questions, fill in the blanks, dialogue to pictures,

Unit 4: Buyers' Behavior

Buying is getting something in return for payment. Buyers' behavior refers to the behaviors that consumers display in searching in formations for purchasing, using, evaluating, and disposing of products and services that they expect will satisfy their needs(Leon Schiff man &Leslie Karuk)

Concern with what they buy, why they buy it , when they buy, where they buy, how often they buy, how they use, how often they use, what they do after use ,how they dispose?

CONSUMER BUYING PORCESS (5 STAGES): Consumer market is all the individuals and house holds who buy or acquire goods and services for personal consumption.

(1) Need recognition: By internal stimuli – hunger, thirst, sex. By external stimuli- ads, advices. Marketers should know this process in detail. Probe into things that customers have not realized, make customer realize what their problems are and what products can offer solution to their problem.

(2) Information research: Heighten attention toward product, read related materials in the media , consult friends, family. Must collect advices from experts who loves you

(3) Evaluation of alternatives: Careful calculations and logical thinking on information to evaluate alternative brands in the choice set. Marketer must know to which attribute consumer give more importance.

(4) Purchase decision: alternative with maximum benefits and minimum disadvantages is chosen.

exchange take place. Two factors come between purchase intention & decision. 1st is attitude of other like someone impotent's advice on your choice. 2nd is unexpected situation on income, price, product benefits, availability.

(5) Post purchase behavior: If product delivers less than expected consumer is dissatisfied, if equals to expectations satisfied, if delivers more than expected consumer is delighted. Consumer also feels uneasy, suspicious, doubt, confusion about acquiring the draw backs of the chosen purchased brand and about losing the benefits of the brands not chosen, after purchasing is known as 'cognitive dissonance'. Must assure customers, addressing their complains, provide toll free phone, website, after sales calls, services, guarantees and posting reassuring promotional messages in the media are important to reassure, dissolve cognitive dissonance and encourage repeat purchase.

(6) Disposal: if consumer dissatisfied may dispose temporarily (give it in rent, keep it for later purposes), or permanently (return, may exchange, give it to others, or throw away).

DETERMINANTS OF CONSUMER BUYING BEHAVIOR.

(1) Cultural factors: Culture, subculture and social class (occupation, income, education, wealth etc combination).

(2) Social factors: Groups (membership. reference group inspirational / disassociative, reference group, opinion leader). Family (woman, children, family head influence), Roles and status (appropriate to).

(3) Personal factors: Age and life cycle stage (non traditional stages – unmarried couples, singles marring later in life, childless couples, same sex couples, single parents, extended parents). Occupations (blue collar, white collar jobs) Economic situation (income, economic cycle), life style (A persons pattern of living as expressed in his or her activities, interests, opinion like work, hobbies, shopping, sports, social events/ food, fashion, family, recreation/ opinion on them selves, social issues, business, products respectively. personality and self concept (personality is unique psychological characteristics that led to relatively consistent and lasting response to one's own environment result in the form of confidence, dominance, sociability(drinking more coffee with friends), autonomy, defensiveness, adaptability, aggressiveness.

(4) Psychological factors: Motivation shape the buying. Sigmund fraud's explains subconscious motivator , suppressed desires in past motivate people. Abram Maslow's explains hierarchical need(physical, safety, social, prestige, self actualization needs) is sequential motivators. Perception is judgment on experiences of our senses. perception guide the buying Different people perceive same thing differently. Learning is experience, it determine your future behaviors, your buying. Beliefs shape your thoughts and actions and buying . Attitudes creates positive or negative thoughts and feelings toward same object, to the product, which result in buying or not buying

BUSINESS BUYING PROCESS

(1) Problem Recognition: Though, internals stimuli (new production, equipments, materials, parts, bad quality, additional services need, change in prices) External Stimuli (tradeshow, ads, salesperson calls/visits).

(2) General need description: Characteristics and quantity of item with the help of the engineers, users, consultants about reliability, durability, price.

(3) Product specification: Though value analysis-cost reduction and efficiency analysis is done. components redesigned, standardized or changing the product components to reduce cost of product.

(4) Supplier Search: Though telephone directories, computer data, internet, trade associations.

(5) Proposal Solicitation: Invite proposals through media. Some just send catalog, or salesperson or formal presentation to prospective buyers or sealed commitments, e-bidding(now).

(6) Supplier Selection: Draw list of desired supplier attributes and their relative importance on quality, services, delivery, ethics, honesty, Communication, price, technical aid, advice, geographic location, history, reputation. Select the one that match the most attributes to requirements. One or few supplier is selected.

(7) Order – routine Specification: Lists items, technical specification, quantity, delivery time, return policies, warranties, terms and conditions and signing contract paper. Incase of buying maintenance, repair, operating items may use blanket contract (for certain period with fixed price agreement in advance).

(8) Performance Review- on delivery of products: May lead to continue, modify or drop the arrangements, agreement.

DETERMINANTS OF BUSINESS BUYER BEHAVIOR

(1) Environmental Factors: Current & expected economic environment, primary demand, cost of money, industry production, competition, consumption / technological environment, political- legal environment, socio-cultural environment .

(2) Organizational Factors: Organizational objectives, polices, procedures, structure, systems, participants is buying, limitations affect buying

(3) Interpersonal Factors: authority of the buying committee, various interests of buying committee members , status of various committee members , empathy, persuasiveness of various members of the buying committee shape the buying . Group dynamics, cooperation, coordination, communication, leadership, monitoring, buying center (user, influencer, decider, buyer, and gate keeper) roles influence buying

(4) Individual Factors. Personal motives, preferences, age, in come, education, professional identification, personality, style (in-depth / intuitive buyer)

(5) Cross cultural factors: language (for France), addressing by full German Title (for German), (for Japanese) Full prepared people , (for south Asian) Commission are important.

CONSUMER MOVEMENT

- 7th step in marketing evolution process
- An effort aimed at promoting consumer protection through an organized social movement

Try To Achieve

- Safe products
- Accurately labeled
- Reasonably priced products
- Right to complain
- Right to be satisfied with the product

Global Consumer Movement

- 1st international conference of consumer organization leader took place in Hague in March 1960.
- 5 from 17 organizations signed to form international organization of consumers unions (IOCU)
- They analyses product
- Give advices
- File complains
- Poverty/democracy
- Access to basic products
- Challenges of developing countries
- 1970 regional office create In Asia
- 1st statement on consumer rights were given in political level in 1962 by Kennedy: right to

safety, right to be informed, right to choose, right to be heard.

- For capacity building of the unions. Number increase to 250 from 115 countries
- To focus on international trade negotiations e.g. WTO, ISO, Various standard institutes, Bilateral and multilateral deals.
- Changed name in to Consumer International (CI) in 1995
- Development of new issues: access to utilities services, GMOs (genetically modified products), digital rights

United Nations Guidelines for Consumer Protection:

- *To Government and Business*
- Seven areas: physical safety, promotion and protection of consumers economic interest. Standards for safety and quality. Distribution for basic products. Enabling to obtain redress/correction. education and information programs. Measures relating to specific areas (food, water and pharmaceuticals).
- Amendment in 1999 8th one was promotion of sustainable consumption was added.
- UNCTAD(united nations conference and trade and development) take care of consumer rights, competition related policies.
- Is felt effective by most counties for formulating of domestic policies.
- Take cares of developing countries specially.
- Consumer international initiation in 2012 with experts UNCTAD added two new areas financial and energy guidelines.

Consumer Protection Nepal

- Upavokta manch. Balram baniya. Bhrikuti mandap office. Lainchor office etc.
- Is neglected issue
- Less effective
- Low awareness
- Consumer protection act 1988 AD contains consumer protection issues on: quality, quantity, price. Attributes and usefulness of consumer products. Monopolies and price hikes. False promotion. Mal practices of traders. Consumer protection council under chairmanship of minister of supplies.

Unit 5: Segmentation, Targeting And Positioning Strategies

Market segmentation is the process of dividing the total market into large homogeneous groups of customers who share similar needs and characteristics –G.R. Agrawal

BENEFITS OF SEGMENTATION

1. Effective identification of market opportunities in each and choose most profitable segment . also help serve target marketing effectively

2. help effectively use market resources . product can be designed ,priced , promoted, distributed to match the segment

3.help in effective competitive response because few competitors in each segment

4. market specialization. By serving many needs of same segment

5. environmental adaptation is easy because organization can easily monitor environmental changes in a single segment

6.help achieve objectives because organization can satisfy the segment .

STEPS FOR MARKET SEGMENTATION PROCESS

In their book *The Portable MBA in Marketing,* Alexander Hiam and Charles D. Schewe identified six steps that companies should take in the market segmentation process.

1. The first step is to determine the boundaries of the market. In completing this step, a marketer should use a formal business plan to develop a broad definition of their business, and then consider the offerings of both direct and indirect competitors to gain information about the basic

needs of consumers in the market.
2. The second step in the process is to decide which variables to use in segmenting the market. Many companies fall into the trap of collecting data on as many variables as possible and then attempting to sort through it later to draw meaningful conclusions. Instead, Hiam and Schewe recommend that marketers use their knowledge of the market to select a few relevant variables in advance. This approach is generally less expensive and will likely provide more useful results.
3. The third step in the market segmentation process is actually collecting and analyzing data, which involves applying market research tools. The goal in analyzing the data is to identify market segments that are internally homogeneous, yet are distinctly heterogeneous with respect to other segments.
4. The fourth step is to develop a detailed profile of each market segment, which involves selecting those variables that are most closely related to consumers' actual buying behavior.
5. The fifth step in the market segmentation process is to decide which segment or segments to serve. In targeting a particular segment, a marketer should look for opportunities (i.e., customers with unsatisfied wants and needs) that provide a good match for the organization and its resources. It is important that the marketer consider not only the size and potential profitability of a market segment, but also whether the company's skills, technologies, and objectives would enable it to meet the needs of that segment better than its competitors. evaluation of segment size ,growth, competition, threat of new entrants, substitute product, buying power, bargaining power, brand awareness and rating, possible marketing mix alternatives to be implemented in the segments .
6. The sixth and final step is to develop a product and marketing plan (positioning) that will appeal to the selected market segment. This involves identifying the product attributes that are most important to consumers in the segment, and developing a marketing strategy that will attract their attention. In fact, market segmentation can be usefully applied during the earliest stages of product design, when a company first identifies who its target customer will be in terms of demographic, geographic, and behavioral characteristics.

BASES FOR SEGMENTING CONSUMER MARKETS.

(1) Geographic Segmentation: Dividing into nation, regions, states, zone, district, cities, town, and neighborhood, urban, suburban, and rural. On the basis of Climate (northern/southern)

(2) Demography Segm: Age, gender, family size, family life cycle stages, income, occupation, education, religion, race, generation, nationality, ethnicity. (Geographic variable is Bases for other variables too).

(3) Psychographic Segm: Social class: higher-class, middle class, lower class. Life style: reflected in interests, opinion, activities (achievers, strivers, and survivor). Personality (compulsive, gregarious, authoritarian, ambitious)

(4) Behavioral Segm: Based on knowledge, attitude, use or response to a product. example, buying occasion segmentation(regular ,/special occasion buying). benefit seeking segmentation (benefits seeking in quality, service, economy, convenience, speed), user status segm (nonuse, ex-user, potential user, 1st time user, regular user). usage rate segm (light, medium, heavy user: 20% eats 80%). Loyalty status segm (completely loyal, loyal, somewhat loyal use 2-3 brands, not loyal – always buys on sales).buyers readiness stage segm(unaware, aware, informed, interested, desirous, intending to buy). Attitude toward the product segm(enthusiastic, positive, indifferent, negative, hostile)

(5) Multiple Segmentation Base: like Geodemographic, use of multi variables for segmentation for smaller, better targeting the market .

BASES FOR SEGMENTING BUSINESS MARKETS.

Many of the variables are same as for consumer segmentations .

1.geographically segm.

2.behavioural segm(benefit seeking, user status, uses rate, loyalty status).
3. In Demographic Segm: Types of industry (agriculture, forestry, fishing, mining and constructions. transportations & communication. Finance & insurance. real-estate/service. Govt organization/non govt orgn). Size of customer (cottage & small/Medium/large/government very large).
4. Operating variable: Technology (labor base/capital-mechanized base/automated tech/computer base/robotics). User/ non user status: Usage rate (Heavy, Medium, light,).on the basis of Services needs (like needs before sales service/after sales service/warranties, guarantee/installation, repair). On the basis of customer capabilities: needing many or few services.
5. Purchase related variable: purchasing function organization (centralized, decentralized, individual, committee or purchase department). Purchase structure: engineering , finance, marketing procurement, CEO. Purchase documentations (direct purchase/with documentations – quotations, contracts, tenders). Negotiation period long -Aircrafts /short for paper & pencil). Relationship: desirable or profitable. Policies: leasing, contract, system purchase, seal bidding, documentation. Purchase criteria: seeking quality, service, price.

6. situational factors

Urgency: or slow need
Specific application: should focus on certain application or all application of the product
Size of the order

7. personal characteristics

Attitude toward risk: risk taking or avoiding
Buyer seller similarity: in values, people
Loyalty: loyal or non loyal

SEGMENT SELECTION STRATEGY

Selecting target market segments: Can be carried out at following levels.
(1) Undifferentiated (Mass) Marketing: Is market coverage is which a firm decides to ignore market segment differences and go after the whole market with one offer, one marketing mix.
(2) Differentiated Marketing: Is market coverage strategy in which a firm decides to target several market segments & designs separate offers to each market segment .(e.g. General Motors produces car for every purse & personality).
(3) Concentrated (Niche) Marketing: Instead of going often a small share of a large market, the firm goes after a large share of small, ignored one or a few segments or niches (eg supplier of airport rescue trucks, military binoculars, school for blind). Here It gives greater knowledge of consumer and attracts competitors rarely. Many firms start with niche and grow into major company
(4) Micromarketing: Is practice of tailoring products and marketing programs to the needs and wants of specific individual and local customer group.

(a) Local Marketing: Is tailoring brands & promotions to the need and wants of local customer group, cities, neighborhoods, specific store. This cost high, brand image might dilute because of variations in offers

(b) Individual Marketing: Is tailoring products and marketing programs to the needs and preferences of individual customer, also called 'markets – of – one marketing', 'customized marketing', 'one to one marketing'. Powerful computers, databases, robotic production, flexible manufacturing, and interactive communication have helped grow trends into self marketing: Customer searching information, interacts & selects from internet and other modern innovative technique. (Here marketers have less influence)

choosing a target marketing strategy depends also on product variability, product's life cycle stages of the firm, market variability, competitors' strategies.
socially responsible target Marketing: is avoidance in targeting vulnerable and disadvantaged

consumers with unhealthy products. or using internet to target customer with false ads, junk mails, irritating, testing fertilizers and drugs on poor, rotten food to poor etc

EVALUATING, ANALYZING AND SELECTING THE MARKET SEGMENTS

Requirements for effective segmentation

- Measurability: size, needs and purchasing power, characteristics of the customer must be measurable. Census may not cover, lack IT, no responses, difficult to track.
- divisible: there must be difference in buyers characteristics, behavior to divide market into homogeneous groups
- Accessible: to reach and the serve the market through channels, media, route, infrastructure, favorable law, within sales force territory, having similar media habit, concentrated in certain area.
- substantial: in terms of customers and profit potentials
- Actionable: to implement organizations plans, marketing mix, resources, financial, technological, physical, entrepreneurship, human/sales force, local law, transportation, facilitating institution

Evaluation depends on

- ☐ attractiveness of market(Porter five forces: Threat of new entrants, Threat of substitute products or services, Bargaining power of customers/buyers, Bargaining power of suppliers, Intensity of competitive rivalry)
- ☐ firm's objectives
- ☐ resources
- ☐ Sales, competition, cost

Selection of Market Segments

- Depends on company resources: if less resources do concentrated marketing
- Depends on product variability: Undifferentiated marketing for uniform poduct.eg steel.
- Depends on product life cycle: in introduction stage-undifferentiated marketing or concentrated marketing. In Maturity stage differentiated marketing works.
- Depends on Market variability: if same characteristics of customers undifferentiated marketing is enough.
- Depends on Competitors marketing strategy: when competitor use differentiated company also must practice differentiated marketing, but when competitors use undifferentiated marketing company must use differentiated marketing.

Choosing a target marketing strategy depends also on

- ☐ product variability,
- ☐ product's life cycle stages of the firm,
- ☐ market variability,
- ☐ competitors' strategies

Selection can be(levels of market segmentation)

- ☐ **full market coverage**(undifferentiated/differentiated)
- ☐ **Multiple segment specialization** (fro synergy super segmentation: selecting similar market segments. And Product specialization or Market specialization)
- ☐ **Single segment concentration**(niche is more narrow, sub-segment)
- ☐ **Individual marketing**
- ☐ **Ethical choice of market targeting** (targeting children/poor, labeling old/single). **Socially responsible target Marketing** is avoidance in targeting vulnerable and disadvantaged consumers with unhealthy products. Or using internet to target customer with false ads, junk mails, irritating, testing fertilizers and drugs on poor, rotten food to poor etc. Must

integrate interest of company as well as customer.

POSITIONING: CONCEPT & IMPLEMENTATION.

Product's position is the way the product is defined by consumer on important attributes. The place the product occupies in consumers mind relative to competing products. Positioning involves implanting the brand's unique benefits and differentiation in customers' mind.

#Consumers cannot revaluate products every time they buy: Position (product) helps them.

POSITIONING PROCESS

(1) Identifying Possible Competitive Advantages: Competitive advantage is an advantage over competitors gained by offering consumers greater value, either through lower price or by providing more benefits that justify higher prices or in consistency, durability, reliability, repair ability, better services, 4ps.

(2) Choosing the right competitive advantages: how many differences to promote? which differences to promote? the differences worth establishing must try satisfying following criteria

(a) Importance to target buyer
(b) Must be distinctive
(c) Superior benefit then others
(d) Must be communicable & visible to buyer
(e) Preemptive: hard to copy
(f) Affordable
(g) Profitable to company.

(3) Selecting an overall Positioning Strategy: The full positioning of a brand – the full mix of benefits upon which it is positioned is called value proposition. Five Winning value propositions are

(a) More for more: For prestige, status oriented products
(b) More for same (Toyota Lexus against Mercedes)
(c) Same for less (Wal-Mart sells in less the same items because of lower operational cost due large selling, biggest retail chain in the world)
(d) Less for much less (for lower economic status: Lodge, SouthWest Airlines is cheaper - passenger brings meal themselves and no seat numbers)
(e) More for less (new business for short time does use this strategy).

(4) Developing a Positioning Statement: Summarizes company or brand positioning – it takes this form us: ***To*** (target segments and need) ***our*** (bound) ***is*** (concept) ***that*** (point of difference).

(5)Communicating & delivering the closen position: through appropriate marketing mix. position should evolve gradually adopting to changing marketing environment.

TYPE OF POSITIONING

1. Attribute positioning
2. Benefit positioning
3. use occasion positioning
4. user positioning
5. competitive positioning
6. product class competitive positioning : table margarine with butter. create less competition

Unit 6: Product Decisions

Product is anything that can be offered to a market for attention, acquisition, use or consumption that might salsify a want or need(Kotler)

Services are a form of products that consists of activities benefits or satisfactions offered for sale that are essentially intangible and don not result in the ownership of anything. E.g. banking, hotel, airlines, doctors examination, experiences in park, traveling, lodging.

Product broadened into organization, persons, places, ideas.

Organization marketing consists of activities undertaken to create, maintain or change the attitude and behavior of target consumer toward organization (through corporate image ad/churches, colleges, charities, museums do too),

People (well known personalities associating helps firm),

Place (to attract tourists, residents, conventions, offices, factories, parks),

Ideas (marketing itself is idea/social idea (social marketing) reduce smoking, alcoholism, drug abuse, over eating, environmental protection, family planning, human, right, racial equality).

LEVELS OF PRODUCT:

(1) Core product: Core product is benefits or services consumers seek from the product Eg beauty, health, education etc.

(2) Actual(basic/formal) product: Actual product is materials, parts, features, design, quality, brand, packaging, Eg Revlon lipstick, Honeytus medicine, principles of marketing by Philip Kotler book.

(3) Augmented products: Augmented products is additional services & benefits like warranty/guaranty, use instruction, repair services, toll free no, delivery, free items with the main bought product

Each level adds more value to the product. Actual product must be according to core (need) product .

(4) Potential product concept: total future augmentation possible in the product

(5) Expected product concept: product that is expected by customer (many times product do not meet the expectations and fails)

PRODUCT CLASSIFICATION:

(I) CONSUMER PRODUCT: is Product bought by final consumer for personal and house hold consumption

Classification of consumer product

On the basis of nature of product: perishable(vegetable), non durable(biscuits), durable(tv)

On the basis of buying motive: necessity producer(food and drink), luxury product(car)

On the basis of involvement : high involvement product(bike), low involvement product(pencil).

On the basis of buyers behavior. Based on how consumer go about buying them,

(a) Convenience Products: Products that the customer usually buys frequently, immediately and with a minimum of comparison and buying effort eg soap, candy, fast food. prices are low and not important, distributed through wide, long, network, almost every shop, located in convenient locations for consumers. need mass promotion through mass media by producer, point of purchase display important, brand is important than store, packaging is important

(b) Shopping Products: are goods that the customer in the process of selection and purchase, characteristically compares on such bases as suitability, quality, price & style. Eg furniture, clothing, hotel, airlines. price is higher and important factor. Quality compared with price. distributed through selected outlets, in clustered markets. advertising and personal selling important. promotion is responsibility of both producer and resellers. store name is more important than brand

(c) Specialty products: Is with unique characteristics or brand identification, for which a significant group of buyers is willing to make a special purchase effort Eg car, designer clothes, medical & legal specialists. prices are higher not important. distributed exclusively in only one or few outlets per market area. more carefully targeted promotion by both producer and resellers

(d) Unsought Product: Product that the consumer either does not know about or knows about but does not normally think of buying. Eg insurance, preplanned funeral services, blood donation. Price and distribution varies. Aggressive advertising and personal selling by producer and resellers important.

Marketing strategy for consumer goods

marketing	Convenience	Shopping	specialty	unsought
example	toothpaste	television	Rolex watch	insurance
product	Branding, packaging important	Quality, Store name important	Brand important	Brand and personal seller is important
promotion	Mass promotion by producer	Ad and personal selling by both.	Targeted promotion by both	Aggressive ad and personal selling by both
price	Do not matter	matters	Do not matter	Do not matter
place	Long channel	Selective	exclusive	depends

(II) INDUSTRIAL PRODUCTS: One brought by individuals and organizations for further processing or for use in conducting business. Types as followings

(a) Materials & Parts.

Raw materials consists of

-farm products(wheat.cotton,livestock,fruits,vegetables)

-natural products(fish, lumber, crude petroleum, iron ore).

Manufactured materials and parts consists of

-Component materials (iron, yarn, cement, wires)

-Component parts(small motors, tires, castings)

It is sold directly to industrial user. Price, services(for component parts) is major marketing factors. Advertising and branding less important.

(b) Capital items are industrial products aid in production and operations

Installation are

-buildings(offices, factories)

-fixed equipments(machines, elevators, generators, large computer systems, drill presses)

accessory equipments include

-portable factory equipment / tools(hand tools, lift trucks)

-office equipment(computer, fax, telephone, desks)

Price varies. Middle man not important (only important for equipment). Pre/ post services are important. Personal selling, long negotiations are important. high brand preferences given.

(c) Supplies and services.

Suppliers include

-operating supplies((Supplies – lubricants, coal, paper, pencil)
-Repair and maintenance items(broom, nails, paints)
Middle men are used. Price is important factor . services are little important, short negotiations . promotions are less important. .gives low brand preferences . Are just like convenience products.
Services include
- maintenance and repair services(window cleaning and computer repair)
-Business advisory services(legal, management consulting, advertising).
Sold through direct channel or franchises or electronic channels. Price is less important . non monetary costs are important. direct marketing , after long negotiations , served after contract sighed. Binds for certain periods. Responsiveness. Reliability , assurance, empathy, tangibles are important in service quality. Must use 7Ps.

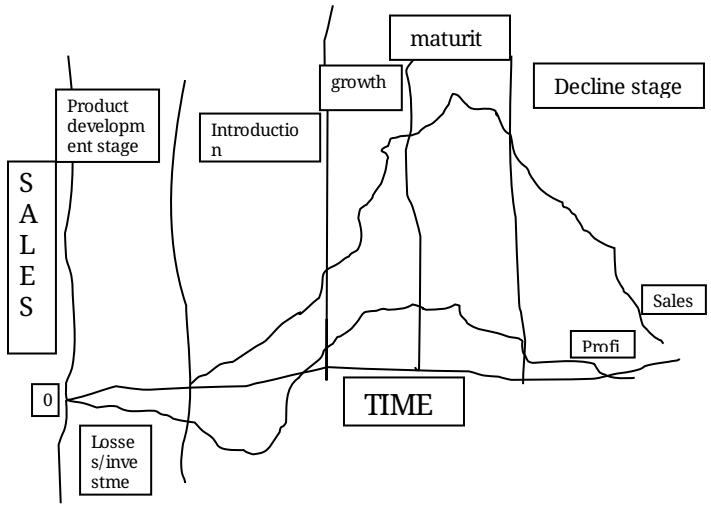
Marketing strategy for industrial product (Kotler/Stantan)

marketing	material	parts	capital installation	Capital equipment	supplies	services
example	iron	tier	machines	tools	Paper	insurance
product	Buying contract, services important , bulk purchased, grading	Quality, service, contract buying	Brand, customized, service	Brand, Customized, service	Standard, no brand, no service	Brand, no package, RATE, contract
promotion	less	low	Long negotiation, personal selling	Mass media, personal selling	Store important .	WOM, records, feature employee, publicity
price	important	important	Not main factor	Not main factor	important	Non monetary price important
place	direct	short	direct	middlemen	middlemen	directly

PRODUCT LIFE CYCLE: has five stages

a. **Product development stage:** has been described earlier.sales are zero. Investment costs mount
b. **Introduction:** In which the new products is first distributed and made available for purchases. Profits negative or low. high, distribution & promotion costs
c. **Growth Stage:** Sales starts, climbing quickly. Adopter (buys after hearing others comments on the product)continue. Later buyer follows. Profits attract competitors. New features introduced. price same or slightly falls. promo same or higher. Firm use strategies to sustain market growth through quality, new features, models New segments, channels used. Use Ad for conviction and purchase trade off between marketing share(improving marketing efforts) and high profit.
d. **Maturity Stage:** Sales growth slows or levels off. This period last longest. Early majority of 34%customers and late majority of other 34%customer joint in this stage. Poses challenges to marketing management most. Greater competition. Drop in profit. Weaker companies dropout, eventually established survive. Should consider mortifying the market, product, marketing mix. Look for new users or increase usage. To remain longest in this stage, companies like Coca-Cola, American Express, Budweiser, Gillette, Western Union, Camel, and Wells-Fargo remaining in this stage after more than 100 years now.
e. **Decline Stage:** Sales decline and may continue for years. Reason may be technological advances, change is tastes, increased competition. Sales profit decline more companies drops. Remaining too prune their offerings, marketing activities. Management must pay attention to their aging products on sales , market shares, costs, profits . Management decide to maintain assuming all competitors will leave. Reposition, reformulate in hope of moving back to growth stage. Harvest reducing costs of production and marketing or Drop product from the line,(sell to other company, liquidize)

Figure, curves of sales and profit in product life cycle



Summary of product life cycle characteristics , objectives and strategies – Kotler/Stanton

Characteristics	introduction	Growth	Maturity	decline
Sales	Low sales	Rapidly rising	Peak sales	Declining sales

Costs	High cost per customer	Average cost per customer	Low cost per customer	Low cost per customer
Profits	negative	Rising profits	High profits	Declining profits
Customers	Innovators, first2.5%customer	Early adaptors13.5%	Middle majority68%	Laggards16%
Competitors	few	Growing number	Stable number , beginning to decline	Declining number
Marketing objectives	Create product awareness and trial	Maximize market share	Maximize profit while defending market share	Reducing expenditure and milk the brand
strategies				
Product	Offer the basic product	Offer product extension, warranties, services	Diversify brand and models	Phase out weak items
Price	Use cost plus	Price to penetrate market	Price to match or beat the competitors	Cut price
distribution	Build selective channel	Build extensive distribution	Build more intensive distribution	Go selective: Phase out un profit out lets
Advertising	Build product awareness among early adaptors and dealers	Build awareness and interest in the mass market	Stress brand differences and benefits	Reduce the level needed to retain hard core loyal
Sales promotion	Use heavy sales promotion to entice trial	Reduce to take advantage of heavy consumer demand	Increase to encourage brand switching	Reduce to minimal level

NEW PRODUCT

Is the development of original products, product improvements, product modifications, and new brands through the firm's own R&D efforts.- kotler

NEW PRODUCT DEVELOPMENT PROCESS

(I) Idea generation: is systematic search for new product ideas. Out of thousand ideas only a couple are successful

(1) Internal idea sources: executives, scientists, engineers, manufacturing staff and sales people.

(2) External Idea Sources: Customer, competitors, distributors, suppler, trade magazines/ shows, seminars, government agencies, consultants, ad agencies, marketing research firms, universities, commercial laboratories, inventors.

#**idea management system**: appointing idea manager, cross functional committee, and toll free no., web site, reward the best ideas in regular basis .

(II) Idea Screening: Screening new – product ideas in order to spot good ideas and drop poor ones as soon as possible. Through writing on standard form, reviewed by committee on described target market, competition, market size, price, development time, costs, rate of return, helpfulness to consumer , matching to company objective, strategies, resources, advertising , distribution criteria, competitive advantages,

(III) Concept Development & testing: Product concept is a product idea detailed version of the new product idea stated in meaningful consumer terms'. concept development is providing alternative concepts. Developing into elaborated version of the ideas (on paper prototypes, computer aided design, picture, description) need wise, price close, use wise. Concept lasting: Is testing new product concept with group of target consumer to find out if the concepts have strong consumer appeal. Through questions, website.

(IV) Marketing Strategy development:

(1) Describes target market, positioning, sales, market share, profit goals.

(2) Product's planned price, distribution, marketing budget for 1st year.

(3) Strategy statement describes how planned long run sales, profit goals are achieved through marketing mix.

(V) Business Analysis: Is review of the sales, costs and profit projections for a new product to find out whether these factors satisfy the company's objectives.

(IV) Product Development: Is developing the prefect concept into a physical product in order to ensure that the product idea can be turned into a workable product. Functional prototypes developed.

(VII) Test Marketing: Is the stage of new – product development is which the product and marketing program are tasted in more realistic market setting. Testing positioning, advertising, distribution, pricing, branding, packaging, budget levels. Some skip this step to gain competitors take advantage or when company is copying competitors products.

3 types of test.(1)Standard test: tested on one or few number of representative test cities with full marketing campaign.

(2) Controlled test Markets: Keeping controlled panels of stores that have agreed to carry new products for a fee. monitor the consumer response

(3) simulated test: On a sample of consumers (gives money and invites them to real or lab store they may buy items or keeps the money. researcher asks reasons for their purchase/non purchase). weeks later also ask consumes about attitudes toward product, usages, satisfaction, repurchase .

(VIII) Commercialization: Introducing a new product into the market. Timing, where, to whom, how are important questions to be addressed in this stage.

PRODUCT LINE DECISIONS: Product line is a group of products that are closely related because they function in similar manner are sold to the same customer groups, are marketed through same type of outlets or fall within given price ranges.

Product line length decisions: number of items is product line, increase & decrease for profitability. Influence by objectives (up selling-series models, cross selling, price point-against economic up and downs) & resources of the company.

Lengthen is 2 ways

(a) Line stretching, upward, downward or both directing according to market growth. eg Toyota stretching upward by offering new Lexus, deluxe model. Mercedes launching Mercedes C class in cheaper prices to face down ward attack by Japanese cheaper cars

(b) Line filling – adding more items within the present range of the line for profits, satisfying dealers, using excess capacity, plugging holes to keep out competitors, eg Sony's solar walkman, waterproof walkman, CD walkman, ultra light walkman models in audio player

line.

Product mix strategies: Product mix (product assortment) is the set of all product lines and items that a particular seller offers for sale.

Product mix has 4 Dimensions

(a**) Width (number of product line):** eg P&G offer 5 lines that is Personal & beauty, house & home, health and wellness, baby & family, pet nutrition & care products.

(b) Length: total items company counts within its product mix. P&G has 250 items .

(c) Depth: number of versions offered of each product eg toothpaste in 16 variety.

(d) Consistency: how closely related the various product lines are in end uses, production requirements, distribution channels or same other way – eg all products going through same channel is consistent

PRODUCT DECISIONS: decision on following elements

(1) Product attributes (2) branding (3) Packaging (4) leveling (5) Product support services.

(1) Product Attributes:

(a) Quality is performance linked to value & satisfaction

(b) Features are tool for differentiating through surveying how do you like? Which you liked most? What should be added?)

(c) Style (appearance) & design (usefulness, convenience, fulfilling the purpose, efficiency)

(2) Branding: Is a name, term, sign, symbol or design or a combination of these intended to identify the goods or services of one seller or group of sellers and to differentiate them form those of competitors. (brand add value, brand carries a story, it makes customer easier to select, it also segments market.

(3) Packaging: Is activities to designing and producing the containers or wrapper for a product

Levels Of Packaging: Primary package (container)/Secondary package (wrapper)/ Shipping package (additional packing for further dispatchment).

Package Functions are containment, identity, safety, are basic functions. Attracting, communication, differentiating product is marketing functions.

Essentials Of Good Package: convenience, communicable, economical, environmentally friendly, attractive.

(4) Labeling: Is simple tags attached to products to complex graphics total information that are part of the package, containing brand name, marks, graphics, made country, company, price nutrition data, contents, use method, safety instruction, dates, standard marks, which help promote the product .

(5) Product Support Service: Repairs, warranty, toll free phone, e- mail, fax, internet, and interactive voice and data technologies.

OBJECTIVES OF BRANDING

- ❑ Identity
- ☐ Awareness
- ☐ Image
- ☐ Get favorable attitude
- ☐ Customer loyalty
- ☐ Brand equity
- ☐ Image benefit
- ☐ Legal protection
- ☐ Positioning
- ☐ Reduce price competition
- ☐ Differentiation.
- ☐ Promotion

- ☐ Value building
- ☐ Product image development
- ☐ Product positioning
- ☐ Brand loyalty
- ☐ Expansion of the product line

TYPES OF BRANDS/Strategies

There are various types of brands such as manufacturer's brand, distributor's brand, licensed brand, individual brand, and family brands.

a) ***Manufacturer's brand:*** This brand is owned and controlled by the manufacturer. Manufacturers' brands are mostly national brands that are promoted by the manufacturers nationally and internationally. The channel members normally do not promote the manufacturers' brands.

b) ***Distributor's or private brand:*** This brand is owned and controlled by distributors, wholesalers, and large retail institutions. Small manufacturers of garments, shoes, and fashion goods are unable to pay the heavy costs of promotion and allow the dealers to put their brand name on the product.

c) ***Licensed brand:***A brand name may be given to other manufacturers and retailers to use under a licensing contract. Such licensed brand name may be an established manufacturer's or private brands, or names of celebrities (Michael Jordan), or characters from popular movies and comic books (Mickey Mouse and Donald Duck). Many manufacturers and assemblers prefer to use popular brand names under a licensing contract. For example, Gold Star television and National Panasonic radios are assembled in Nepal by Chaudhary Group under a licensing contract.

d) ***Individual brand:***Under individual branding, each product is branded under a separate name. Surya Tobacco Company has adopted the individual brands and uses separate brand names for its cigarettes such as Surya, Shikhar, Naulo, Khukuri, Chautari, and Bijuli. In individual branding, marketers should use separate marketing mixes for each individual brand. Each brand is targeted at a different market segment. Each of them is separately positioned in the market. The technical fault or some other problems associated with one brand does not affect the image of other brands. However, individual branding requires heavy promotion budget.

E) ***Family brand:*** Family brand uses a single brand name for all the products manufactured by an organization. Sony Electronics and Honda use the family branding. Family branding involves less promotional costs than individual branding. All products under the brand name can be promoted easily under a blanket advertising campaign. Family branding facilitates the introduction of a new product. Consumers easily buy a new product under an established brand name. Marketers can build their corporate image based on the brand name. If the products have different quality levels, family branding confuses consumers. Often, technical and market related problems in one product adversely affect the images of other products under the same name.

F) ***Co-brand: MARUTI SUZUKI, NABIL threestar, NIC Asia etc made through joining two companies.***

G) ***No branding. To attract attention***

H) ***Fighting brand.eg popov, reska***

I) ***Sub Branding. E.g. Diet Coke. Toyoto Lexus***

BRAND EQUITY

- ☐ Brand equity is the marketing effects and outcomes that accrue to a product with its brand name compared with those that ***would*** **accrue if the same product did not have the brand name**.
- ☐ Fact of the well-known brand name is that, the company can sometimes **charge premium**

prices from the consumer.

- **root of these marketing effects is consumers' knowledge**. In other words, consumers' knowledge about a brand makes manufacturers and advertisers respond differently or adopt appropriately adept measures for the marketing of the brand.
- The study of brand equity is increasingly popular as some marketing researchers have concluded that **brands are one of the most valuable assets a company has**.
- Brand equity is one of the factors which can increase the financial value of a brand to the brand owner, although not the only one.
- Elements that can be **included in the valuation of brand equity include** (but not limited to): changing market share, profit margins, consumer recognition of logos and other visual elements, brand language associations made by consumers, consumers' perceptions of quality, CSR, records, history and other relevant brand values.
- It is also **readiness to pay more because of the brand** attached to the product.

SERVICE MARKETING

Serviceis intangible product. Services are Govt services – courts, employment services, hospitals, military, police, fire, postal, schools, private not for profit museums, charities, churches, colleges, foundations, business– airliners, banks, hotels, insurance, consulting, medical, law, entertainment, real estate, retailer.

CHARACTERISTICS OF SERVICE

(1) Intangibility: Cannot be seen, tasted, felt, heard, smelled before they are bought. But signals from people, place, price, equipment, communications of the company – manage them called evidence management

(2) Service in seperability – cannot be separated from their provider. Service are 1st sold then produced & consumed at the some time.eg doctors' service, teachers' service, lawyers' services

(3) Variability their quality may vary greatly, depending on who provides them and when, where and how. Service providing people are emotional and moody.

(4) Perish ability cannot be stored for later sale or use service.

SERVICE MARKETING STRATEGY

Additional tools for service marketing: people, process, physical evidence

People: Employee (recruiting, training, motivation, rewards, teamwork's), customers education, trainings on implementation, feedback importance, also cooperation to other customers. "Unhappy employee can be terrorist to the organization": Karl Albert

Physical evidence: Facility design, equipment, signage, dress, other tangibles (reports, business cards, statements, guarantees).

Process: Flow of activities, (standardized, customized), number of steps (simple/ complex), Customer involvement

The Service Marketing Triangle

Triangle among Company, Employees, Customer

External marketing (4ps) :between company & customer

Internal marketing: between company &Employee

Interactive marketing (Real Time Marketing/Encounter):between employee& customer

External marketing: making the promise

Is traditional marketing

Right pricing, right promotion, right placement

Promotion is most significant external marketing function in services

Must communicate exactly what is to be delivered

Advertising, personal selling, public relations, sales promotion, direct marketing

Internal marketing: enabling the promise

Service profit begins with taking care of those employees who take care of customers.

Happy employees will unleash their enthusiasm on customers.

Employees must be taken as internal customers

Hire right people, develop people, provide needed support systems, retain the best people

It is training and motivating employees, supporting them to work as team, participatory decisions.

Interactive marketing: delivering the promise

Interactive marketing is uplifting quality of interaction between seller though stated service deliver and quality of delivery through high touch (human) and high tech (access through visits, contacts, calls, clicks)

Interactive marketing is marketing by service firm that recognizes that perceived service quality depends heavily on the quality of buyer-seller interaction

Is Managing service encounters

Known as real time marketing

Service profit chain

Internal service quality

Satisfied and productive service employees

Greater service value

Satisfied and loyal customers

Healthy service profits and growths

Service quality dimensions: reliable, responsive, assuring, tangibles, empathetic.

Unit 7: Pricing Decisions

Price: Is amount of money charged for a product or service or the sum of the value that consumers exchange for the benefits of having or using the product or service.-Kotler

Price is the *cost customer bears* to acquire the product. Cost can be monetary and non monetary (time cost, search cost, convenience cost, psychological cost)

IMPORTANCE OF PRICING

To economy

Price influence factor of production, like rent of land, cost of material, labor cost, and interest for capital

Price Determine demand and supply

Effects savings and investment. If interest is low investment increases. If interest increases savings increases

Price is tool for economics management (government does it through tax and utility charges, pricing basic products like oil, sugar)

To organization

Price Determine profitability of the company

Price Determine market share of the company

Price help in non price competition. Price can help position the product; cerate image of the product .eg high price may mean high quality, prestigious

To customer

Price influence choice of product

Price create perception of product. Price gives idea, signal about the product

Influences customer value in terms of potential benefits: lowering price increases the value of the same product.

PRICING OBJECTIVES

1. Profit oriented pricing objectives

-Target return: pricing objective is to achieve a specified return on investment, when there is less competition. Pre determined profit level is achieved through

- To get satisfactory profit (profit maximization: charging maximum possible, as customer and government can digest).

2. Sales oriented pricing

- growth in sales: the right price can stimulate sales. To create new customers. More sale require more production, more production reduce the cost of production which result in increased profit in long run.
- to increase market share: price carries heaviest responsibility for improving maintaining market share, low price, high promotion, economies of scale needed. Need to snatch others customer

3. Status-quo oriented pricing

- price stability
- meeting competition: always following the price leader. Keeping the same differences with the price leader . increased if increased, decreased if decreased in same ratio

Survival: pricing at the break-even level or below to survive the bad season

4. Quality oriented

-Quality leader: high price is charged for higher quality and company image and innovation, market skimming pricing

- quality imitation: for price sensitive customer, imitated products are offered in lower price

PRICING APPROACHES/ METHODS

(1) **Cost – Based Pricing:** Is adding a standard mark up to the cost of the product. Eg construction companies, lawyers, accountants set the prices adding fixed costs, variable costs, markup. Used for convenience, family business, traditionalist.

a. **Mark up price** = unit cost/1-desired return on sales in percentage. This Works only when expected level of sales comes true.
b. **Target return pricing =** unit cost+ (desired return*invested capital)/unit sales
c. **Break even Analysis and target profit pricing:** used when cannot estimate sales

Draw table with different price resulting different break-even volume by following formula.

Break-even volume= total fixed cost of the project / price – variable cost per unit

Table below can show Different price result in different break-even, different expected demand, different revenue and different total costs of the project and eventually different level of profits or losses. Desired profit level can be chosen from table, which hint the price situated in the same row. Still Pre determined profit($200000) level might not be given by any price in the table some time, in such situation fixed costs or/ and variable costs must be reduced or adjusted to gain pre determined level of profit.

Assuming fixed costs of $300000 and variable cost per unit $ 10. All figures in the table are in $

Price	breakeven	Expected demand	Total revenue	Total costs	Profit/loss
14	75000	71000	994000	1010000	-16000loss
16	50000	67000	1072000	970000	102000
18	37500	60000	1080000	900000	180000
20	30000	42000	840000	720000	120000
22	25000	23000	506000	530000	-24000loss

This method is Useful when there is enough price elasticity & competitors price remain constant.

(2) Value based Pricing (Demand oriented): is setting price based on buyers perception of value rather than on the seller's cost.

(a) Value Pricing: Is offering just the right combination of quality, features and good services at a fair price (low price). This is just meeting the consumer needs strategy, not offering unnecessary

features which increase the price. Used when price sensitive.

(b) Value Added Pricing Strategic: Is rather than cutting prices to match competitors' price, they attach value – added services, features to differentiate their offers. Used when customers are rich and highly aware.

(c) Demand differential pricing: discriminatory pricing. Different prices to different customers

(3) Competition Based Pricing

(a) Going Rate Pricing: Firm bases its price largely on competitors' Prices: It is changing price in same constant amount of difference up and down as competitor's price change. It is useful when hard to measure demand elastically, to avoid price wars, useful in oligopoly market.

(b) Sealed Bid Pricing: When competitors bid for same job. Company Tries to lower price than competitors. Uses marketing intelligence, trend analysis to know the competitors price in this situation. Company does not consider costs. Used in selling to government and social organizations.

PRICING POLICIES AND STRATEGIES

(I) Product life cycle strategy

1. Introduction stage (New Product) Pricing Strategies:

Market – Skimming Pricing: Is setting a high price for a new product to skim maximum revenues layer by layer from the segments willing to pay the high price. This is useful when product is innovative, unique. Here the company makes fewer but more profitable sales. Eg. Sony HDTV $ 43000 in 1990 now $ 1000 in 2006.

Market Penetration Pricing: Is setting a low price for a new product in order to attract a large number of buyers and to gain large market share. High sales also result in low costs, which results in profit. Eg. Wal Mart, Dell. Prerequisites for this strategy are market must be price sensitive. Cost must fall as sales increase. It must keep out competition and price wars. Company must maintain its price positioning.

2. **Growth stage:** increase price if it was decreased in introduction stage, decrease price if increased in introduction stage
3. **Maturity stage:** use value based pricing. May need to decrease to face competition.
4. **Decline stage:** increase price for the loyal customers, decrease price for laggards

(II) Product Mix Pricing Strategies/policies: looks for set of prices that maximizes the profits on the total product mix not individual product profitability. Here company may sacrifices individual product losses

(a) Product line Pricing: Is setting the price steps (price points) between various products in a product line based on cost differences between the products, customer evaluations of different features of the product and competitors prices. The customer associate low, average and high quality to different price points. here increase or decrease in price do not matter only matters is price steps, points .

(b) Optional – Product Pricing: Is pricing of optional or accessory products along with a main product. In order to reduce the prices of standard models, main product.eg car with out ac, music system, side mirror. Truck without the body

(c) Captive – Product Pricing(two part pricing. Fixed fee+variable usage rates): Is setting a high price for products that must be used along with a main product, such as high price for blades against razor. Reel against camera, elephant ride against zoo entry ticket. Cartilage against printer. cable TV, electricity, telephone connections. Here Main Product priced low and supplies with high markup (price).

(d) By Product Pricing: Is setting a price for by products in order to make the main products price more competitive (cheaper). Eg pricing, selling occupants manure in zoo to reduce price for zoo entry ticket. Cocoa mulch, sprite, breakage selling by chocolate, sugar, brick factories respectively in addition to the main products

(e) Product Bundle Pricing: Is combining several products and offering the bundle at a reduced price. E.g. combo meal, vacation package. It promotes the sale of poorly doing products.

(111)Price – Adjustment Strategies/policies

(1) Discount on Prices

a) Cash Discount: For customers who pay cash promptly when buying

b) Quantity Discount: for those Who buy large volume

(c) Functional (trade) Discount: Is offered to trade channel members who perform selling, storing, record keeping functions

d) Seasonal Discount: To empty old stock & to stock the season wise product or may be urgent requirement of capital in certain season or other causes Or to encourage early ordering in advance or to help steady production throughout entire year price is reduced in the season or off season.

(2) Allowances: Promotional money paid to retailers in return for an agreement to feature, high light the manufacture's products in some way (Kotler). Free merchandise to resellers is also allowance (Stantan)

(a) Trade in Allowances: Are price reductions given for returning an old item when buying a new one.

(b) Promotional Allowances: Payments or price reductions to dealers for their promotional support in the local level.

(1111) Segmented Pricing Strategy/Policies): In setting the product at two or more prices where the differences in prices are not the result of difference in cost or product features.

a. **Customer Segment Pricing:** Different Price for student, adult, children, male female
b. **Product From Pricing:** Different versions priced differently even though cost are not different significantly.
c. **Location Pricing:** Eg, in theater (Balcony/rear stall), foreign student fee.
d. **Time Pricing:** Varies price by season, monthly, day, night, hours eg – telephone, internet. also called revenue management or yield management.

(III11) Psychological Pricing Strategy: is when pricing is not done on the basis of cost rather keeping in mind what feelings that price will bring in consumer(99 & 100 is almost same but if 99 is tagged consumer feel it is very cheaper than 100 Here price is used to say something about the product. When customers can't judge the product by quality, lack information or skill then price becomes important quality signal.

- **Reference Prices:** Prices those buyers carry in their minds and refer to when they look at a given product. Sellers can influence or use references price. e.g. – introducing cheaper (Popov), same price new Relska and increasing price of Smirnoff vodka itself against competitor's cheaper brand (Wolfschmidt). Mixing expensive items with cheaper items. Selling through prestigious stores to raise the price of the product. Hanging two price tags, high and lowered price. Lowering familiar product price and selling unfamiliar products in higher prices (Bait & Switch pricing). Number illusion (299 Vs 300). Each digit has symbolic & visual qualities (7 Vs 8), **SALE** sign, up to 50% DISCOUNT Strategies.

(111111) Promotional Pricing strategy: Is temporarily, reducing products price below the list price sometimes even below cost, to increase short run sales.

(a) Pricing a few products as loss leader (very low price) to attract buyers who may buy other items in their trip.

(b) Special event pricing.

(c) Cash rebate, return on bills shown.

(d) Low interest financing, longer warranties, free maintenance.

(e) Offer discounts.

(1111111) Geographical Pricing strategy/policy:

1) Free on Board (FOB), Origin Pricing: In which goods are placed free on board a carrier, the customer must pay fright cost from factory to their destination. This is considered fairest pricing.
(2) Uniform Delivery Pricing: Is pricing uniformly for all destination (near or far). This is easy to administer and advertise. eg post office service, pizza, brick delivery
(3) Zone Pricing: In which company set up 2 or more zones. All customers within a zone pay same freight.
(4) Base Point Pricing: In which company designate some city as a basic point and charges same price from all points. Additional freight cost varies according to distance from the base point city to the customer site.
(5) Freight Absorption Pricing: In which seller absorbs all or part of freight charges in order to get the desired business. Because large business result in low cost which compensate freight cost.

(11111111) International Pricing strategy: Depends on buyer country's economic condition, costs (of product modification and its shipping, insurance, tariffs, taxes, exchange rate fluctuation), competition, law, regulation, purchase quantity trend, distribution channel system, consumer perception & reference, company's objective country wise.

(111111111)Price Change strategy: Company must initiate price change or respond to price change in certain situations:

(I) Initiating Price Change: Is price cut or price increase.

(a) Initiating Price cuts: To use excess capacity of company, to stop falling market share, due to social concern to dominate market through lower costs.
(b) Initiating Price Increase: Due to cost inflation, tax rise, over demand, price can be raised invisibly by dropping discounts or adding higher price units to the product line or increasing minimum order size or curtailing lower margin products or help customer economize or cost effective production and distribution or shrink the product. (100 gm for 75 gm in same price) or can substitute less expensive ingredients or remove certain features, packaging, services or un bundle products.

(II) Responding to the Price Change: Firm needs to consider why competitors change the price(May be for market share, to use excessive capacity; meet costs, lead industry ?). what if not responded to price change?, what are other companies response? what are likely response to company's reaction? what is own product's stage in life cycle? products importance to product mix? intensions and resources of the competitors? possible consumer reaction to price?.

Company must plane ahead for both possible competitors price change and possible response because competitors plan the price change after the long planning and preparations and it is difficult to tackle the price change immediately for the company and of you go for planning then, it may be too late. For reduced price by competitors, company may hold the price for the time being to analysis the out come or take four (following) responses:

(a) Reducing price to match the competitor.
(b) Raise the perceive value through communication.
(c) Introduce new brand with improved quality & increase price in the product line.
(d) Launch a New Low Price Fighting Brands: If market is price sensitive.

Unit 8: Distribution Decisions

Distribution is concerned with all the business activities revolving around the problem of getting products from place of manufacturer to the final consumer.

It deals with two aspects(Components).

(1) Channel of distribution (marketing channel): Is system of relationships among the various persons and institutions (agent, wholesaler/dealer/distributor, and retailer) involved in process of movement and ownership of products and facilitating exchanges.

(2) Physical Distribution (Marketing Logistics): Is physical activities performed for the

movement and storage of products like transportation, ware housing, inventory management order processing & physical handling.

GOALS OF LOGISTIC SYSTEM.

(1) To provide targeted level of services at least cost, to each segment after research on customers.

(2) giving services like Rapid delivery, large inventories, flexible assortment, liberal return policy for products and other services, maximizing profit (Koter,2006,PoM)

MARKETING CHANNELS FUNCTIONS:

Informing: Gathering and distributing research and intelligence about marketing environment.

Promotion: Developing and spreading it.

Contact: Finding and contacting the prospective buyer.

Matching: Shaping and fitting the offer according to buyers need through manufacturing, grading, assembling, assortment, and packaging.

Negotiation: On price and other terms leading to transfer of ownership.

Physical distribution: transporting, warehousing, order processing, inventory management, physical handling.

Financing the channel work.

Risk taking: white carrying out the channel work.

Specialization and efficiency in distribution activities.

IMPORTANCE OF PHYSICAL DISTRIBUTION

(1) To gain the competitive advantage.

(2) It can save up to 20% cost in logistic. Saving fraction of logistic cost may mean substantial saving, profit.

(3) Because of the product variety (Wal Mart, world's largest retailing chain store carry more than 1 lakh product items). Which created need for improved logistics.

(4) Information technology have created opportunities such as software, websites, point of sells scanners, uniform product code, satellite tracking, electronic transfer of order and payment data creates importance of logistic management

CHANNEL LEVEL FOR CONSUMER MARKET

(1) Producer – consumer Channel: Is zero(since there is no one between producer and consumer) level channel. Producer perform all distribution functions in this channel. May use multiple chain stores, mail order arrangement, internet, sales persons. zero level channel is also used by small producer.

(2) Producer -Retailer -Consumer Channel: is One level. If retailer order in large volume like departmental store, supermarket, Discount houses does. Or When selective distribution is enough like medicine, gas, milk-diary, poultry-meat, specialty product

(3) Producer – Wholesaler – Retailer – Consumer: is two levels channel. Is mostly used for wide distribution of convenience product.

(4) Produce – Agent – Wholesaler – Retailer-consumer channel: is Two level. when producer also use agents to contact and execute transaction to different categories of buyers. Used in special circumstances like international marketing, facing distance, language, cultural, barriers. this is costly channel.

Agent: Work as producers representative, to negotiate and contract with customers without taking ownership of product on percentage commission on deal arranged by agent.

CHANNEL LEVEL FOR BUSINESS MARKET

(1) Produce – Business Customer Channel: is Zero level. It is mostly used for raw materials, installation products. Easy to get maintenance and services from this channel.

(2) Producer – Business Distributor-Business market channel: is One level channel. used for low

prices, less complicated operating Supplies, accessories. Government & service marketing organizations also use this channel to buy high priced items like photocopies, computer, communication equipment. In This case channel also gives maintenance & services.

(3) Producer – Agent – Business user Channel: One level. When need agents to identify, locate, contact, make long negotiation or in foreign trade on Capital equipment & raw materials.

(4) Producer - Agent – business distributor-Business User: Two level used to sell lower priced products in foreign market or for extensive distribution network for Automobile parts, tires, lubricants, paper.

MAJOR LOGISTICS FUNCTIONS (MAJOR PHYSICAL DISTRIBUTION COMPONENTS)

Warehousing: Due to difference in production & consumption cycles, timing, product must be stored in the warehouse while waiting for the demand. Must decide how many warehouse ? What types? What location of the warehouse? Company use either storage warehouses or distribution centers (a very large, highly automated warehouse design to receive goods from various plants and suppliers, take orders, fill them efficiently, and deliver goods to customer as quickly as possible). Now single storied automated, computer controlled, material handling system, few employees. Computers and scanners read order and direct lift trucks, electric hoists, & Robert are used to gather goods, move them to loading docks and issue invoices.

Inventory Management: is Balancing, carrying too little (resulting in costly emergency shipment, production)too much inventory(higher carrying cost & stock obsolescence). Optimum inventory, use of economic order quantity tools. now a days "just in time" logistic which require accurate forecasting and stock arrives exactly when needed. Use of smart tags (to track the product, within the supply chain), smart shelves (which scan and reorder automatically). Frequency of order, lead time between orders, inventory cost saving are managed. EOQ=under root 2PD/CV where P=order cost per order, V=inventory cost per unit, D= Annual Demand, C=annual cost of inventory

Transportation: Choice affects price, delivery performance, speed, consistency. Product safety. Modes of transportation as follows

truck: 41% used. flexible in routing and time schedules. Faster and efficient for short distances. It can delivers at the exact site.

Railway: 37% uses. cost efficient. carrying large amount of bulk products like coal, sand, farm & forestry products over a long distance

water carrier: 10% uses. Use ship and barges (boat), cost very low. Useful for bulky, low value, non perishable product, like coal, grain, oil, sand, metal etc. this is slowest mode of transportation. Is affected by weathers.

Pipelines: For petroleum, gas, chemicals, water. This mode is mostly used by owner to ship their own products.

Air carrier: 1% use. Cost very high but high speed too. For products like fresh fish, flower, jewelers, perishable items, high value, low bulk item. This mode reduces inventory, packaging & warehousing cost.

Internet: through satellite, cable modem, telephone transfers the product like software, music, education, news,

*Intermodel transportation is combining two or more modes of transportation, which performs better than the single model of transportation.

While choosing the mode of transportation factor like speed, dependability, availability, cost, consistency and safety should be considered.

Logistic Information Management: Channel partners often link up to share information to make better joint logistic decisions. Order, inventory level, billing, customer data's are closely linked. Shared through mail, telephone, sales person, internet, electric data exchanger(EDI-

computerized exchange of data). Must design simple, accessible, fast, accurate process of capturing, Processing and sharing channel information. suppliers might be asked to generate orders and arrange delivers. (Vendors managed inventory 'VMI' or continuous inventory replenishment system shares information on inventory & sales which enable supplier, producer help maintain delivery & inventory of the vendor).

Order processing: Orders can be submitted in many ways by mail or telephone, through sale person, or via computer & internet.). it start from taking orders to checking inventory, ordering in the factory, documentation to arranging and scheduling delivery activities.

physical, material handling: mixing, grading , packaging , branding, processing, loading, unloading activities inside the warehouse.

CHANNEL CONFLICT: due to dissimilar characteristics and varied objectives of channel members channel conflict arises.

-vertical conflict: between different level of channel . between wholesaler and retailer on profit, promotional costs

-horizontal conflict: between same level of the channel like conflict among retailers on territory, customer switching.

-multi channel conflict: between two or more channel systems on price, territory.

Causes of conflicts are as follows

a. goal incompatibility among channel members (high sales Vs High profit)
b. unclear roles, unclear territory,
c. Perceptual differences: particular discount may be adequate for manufacturer but retailer may perceive inadequate.
d. Over dependency: on single channel and manufacturer, when no alternatives, exploitation and monopoly prevails , which result in conflict
e. ideological difference due to different values, attitude, perceptions
f. poor communication
g. Reorganizing. Rumors. Bringing outsider. Competition

Channel conflict management: conflict may be constructive too. Can be managed in following

a. conciliation: through bargaining , mediation, arbitration
b. channel restructuring: redesigning the channel
c. goal modification: changing the goal it self for compromise, bringing consensus among channel members
d. politics : forming association to pressurize and force to come to a solution
e. expansion of resources: increase in discounts, commission, promotional campaign
f. improve communication gaps by arranging effective vertical(among top and lower level) and horizontal(among same level) communication mechanism.

SELECTION OF CHANNEL OF DISTRIBUTION

Channel selection is a complex and challenging task. It should be based on various strategic considerations. They are

1. Objective Considerations

Channel objectives should be the key factor in the section of channels. Objectives can be on control, coverage and cost.

a) Control: Control regulates the behavior of channel participants. Greater degree of control can be exercised in short channel. Long channels are difficult to control.
b) Coverage : market coverage
   - *Intensive distribution: every available channel is used to achieve the widest market coverage. The channel is long. Needs help of all available channel members.*
   - *Selective Distribution: Multiple Channels are used to achieve coverage in selected*

segments of target market. The channel is short. Few wholesalers are enough

- *Exclusive distribution: one or few channels are used to achieve narrow market coverage. This is the short channel. Do not need wholesalers in this case.*

c) Cost : Channel cost vary according to channel structure. The cost consist of discounts and commission to channel member and physical distribution costs. Short channels have lower channel costs and higher physical distribution costs. Long channels have higher channel cost and lower physical distribution costs. Channels must be cost effective.

- Trade offs/balance may be required among control, coverage and cost objectives for selecting channels.

2. Market considerations:

a) Type of market : the market can be consumer or industrial. Industrial channel structure are shorter compared to consumer channel structures.
b) Target customers: time, place and frequency of purchase depend on customer characteristic. Then accordingly channel is selected.
c) Market concentration : short channel is used for concentrated maret.
d) Order size:small order size require long channel.
e) Competition: competitors channel affect the channel selection.

3. Product consideration

a) Nature of product : perishable products require direct of short channel. Long channel is suitable for durable products. Services are generally distributed directly. If the product has technical complexity, direct channel is used to provide post sale service.
b) Unit Value : Direct or short channels are used for products with high unit value/price.

4. Channel consideration

a) Channel availability : affect the channel selection
b) Range of service provided by reseller affect channel selection : for example wholesalers may be unwilling to provide post sale services.
c) Channel attitudes: manufacturer may not like the terms and conditions of the middlemen.

5. Organizational consideration

a) Management capability : organization may lack capability and experience in marketing. Human resources may be lacking. Such organizations can not undertake direct market channel.
b) Financial resources of the company
c) Marketing mix of the company
d) Legal provisions for the company

Unit 9: Promotion Decisions (Communication decisions):

Promotion is activities concern with communication and persuasion to sell the product. Promotional tools are advertising, personal selling, publicity-public relations, sales promotions, direct marketing.

OBJECTIVES OF ADVERTISING(PROMOTION)

a) **Informing:** about new product, new uses, price change, uses, services, corrections, reduce fear, image
b) **Persuading:** creating preference, switching, change perception, purchase, to receive sales call
c) **Remining:** like May need near future, place to buy in offseasons, top of mind awareness.
d) **Reinforcing**
e) **Image building**
f) **Meeting competition**
g) **Help other promotional tools like personal selling and sales promotion**

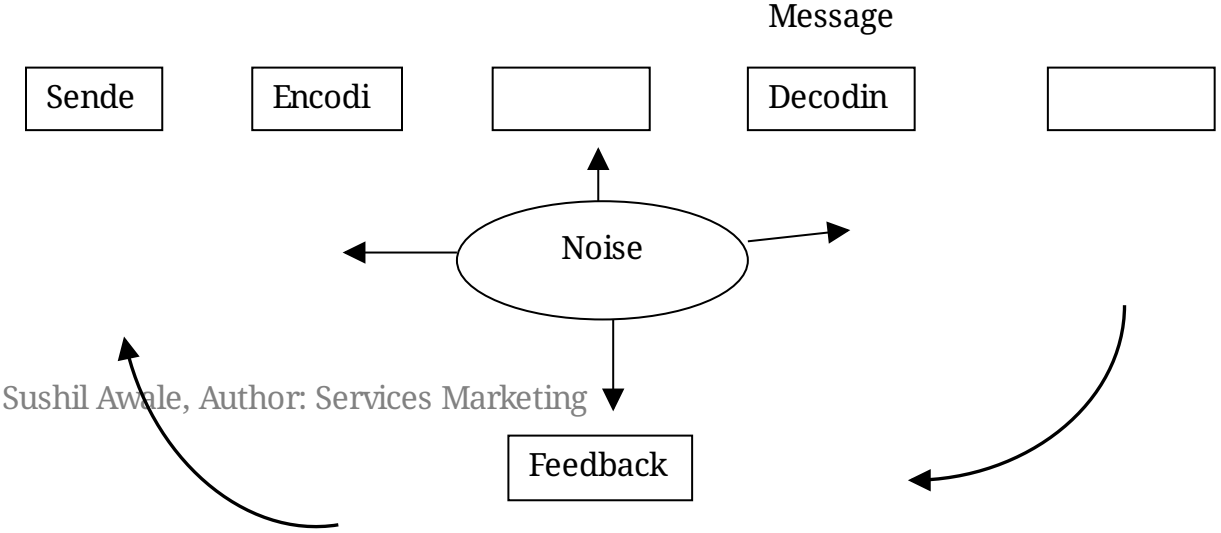
Objectives according to 'Sales school of thought' or 'Communicative effect school of thought' -By Dr. C.N. Sontaki

- Increase sales profit
- Increase market share
- Increase use of product
- Increase frequency of use
- Increase Variety of uses
- Increase frequency of replacement
- Increase length of buying season
- To present a promotional programs
- To bring a family product togther
- To turns a disadvantages into an advantages

COMPONENTS OF COMMUNICATION MARKETING MIX:

1. **Advertising:** Advertising is any paid form of non-personal communication by an identified sponsor. it is planned and controllable tool
2. **Publicity and public relation**
   Publicity: It is any unpaid form of communication appears as news, feature articles etc. it generate favorable image of the company and indirectly stimulate sales. It is gain organizing social, unique events. Good relations with journalists are important here.
   Public relation: It is used to promote favorable relationship with key stakeholders such as employees, media, government, community and customers.
3. **Sales promotion:** It refers to short term incentives to encourage trial or repeat purchase of products. To encourage consumer and trader storage of stock of products which minimize producers' storage costs. It also help clearing of soon expiring products .
   Types of sales promotion:
   Consumer Promotion focuses on consumers. eg free sample , coupon, gift , buy one get one free, demonstrations, lottery etc
   Trade promotion (Sales promotion focusing on traders, wholesalers, retailers) E.g. dealer loader , dealer listing , sales contest, decoration contest, trade fare etc. Sales force promotions
4. **Personal selling:** It is a personal communication. Two ways, one on one and face to face usually. used when market is scattered, small or if products are complex and unsought
5. **Direct marketing:** It is direct persuasion by manufacturing to specific customers. E.g. Mail-order, website, telephone, telemarketing, use of internet and email,, mobile, SMS, brochure/ leaflet distribution. It is direct, immediate, one on one, two way, for relationship marketing, for customized message and product. it is enhanced by modern database facilities

THE COMMUNICATION PROCESS:



Sushil Awale, Author: Services Marketing

Sender is source of message. Encoding is transforming thought and ideas into message in the form of test and symbols. Channel is the media which help relay message to masses and to distant places. Decoding is giving meaning to message on the basis of message receiver's perception, experiences, knowledge, attitude etc. Receiver is the the audience to whom the message is targeted. Feedback is the response of the receiver after receving the message in the form of reply, purchase of the product, complain, suggestions. Feedback is essential to confirm and verify that the intended message has been recevied by receiver. Noise is the undesired unplanned elements that hinders the communication process, which can be temed as barriers of communication too.

DECIDE MARKETING COMMUNICATION MIX: According with objectives of the company, nature of product, customer, product life cycle, promotio budget, strategy used (pull/push)

SALES PROMOTION:

According to Philip Kotler, "Sales promotion consists of a diverse collection of incentive tools, mostly short term, designed to stimulate quicker and/or greater purchase of a particular product/service by consumers or the trade." Sales Promotion features: Sales promotion includes incentive tools: something free. Sales promotion is mostly short-term. Sales promotion is targeted at quicker and/or greater sales. Sales promotion is directed at consumers or and channel members. Sales promotion is either directed at consumers or at the dealers.

OBJECTIVES OF SALES PROMOTION

Attract new buyers: through incentives

Encourage higher level use:

Educate customers: When an improved product is reintroduced to the market firms use sales promotions in order to educate customers about the product improvements.

Attract buyers to the retail store:

Stabilize sales: Firms launch sales promotion in order to achieve a regular sales volume and regular cash flow round the year. Sales promotions launched during off-seasons are targeted at stabilizing a fluctuating sales pattern.

Increase resellers' inventories: Sales promotions provide the resellers with incentives to buy more of the product and stock pile them in their stores.

Counter competitors' incentives: A firm may launch a sales promotion scheme in order to combat or offset competitors' incentives to resellers and/or consumers

Obtain better product displays: A firm often provides incentives to retailers in order to secure a strategic placement of the product in the retailers' shelves.

To obtain short term profit

SALE PROMOTION TOOLS is of two kinds. **Consumer promotions**(is sale promotion target at consumer**s) and Trade promotion** (is sales promotion targeted toward resellers).

METHODS OF CONSUMER PROMOTION

Demonstrations: demo of a new product to general public to attract their attention.

Free samples: Free samples are distributed to consumers for free trial.

Coupons: Coupons are certificates of purchases awarded to buyers that can be redeemed into cash or another product. Manufacturers as well as retailers distribute coupons to promote new as well as existing products.

Trading stamps: Retailers use trading stamps based on the total amount of purchases. Trading

stamps result in reductions in the actual price of the product as they can be converted into cash or used for buying another product. This method of promotion can be equally effective for a new as well as an established product.

Money refunds or rebates: Money refunds or rebates are generally used by manufacturers to reward consumers for the purchase of a product. When consumers buy the product they are required to mail a proof-of- purchase directly to the manufacturer. On the receipt of the proof-of-purchase, the manufacturer refunds the rebate amount promised in the deal.

Trade fare and exhibition: Trade fare participation provides a very wide exposure to the product among potential users. Trade fairs and expositions are organized at national and international levels. Manufacturers may participate in such trade fairs in order to expose their new products to a very large number of visitors. Buyers are more inquisitive and ready to purchase new products in trade fairs than in the normal market.

Point of purchase displays: A point of purchase (POP) display is normally placed in the retail outlets. They can be in the form of posters, cutouts, stickers, chain pin-ups and mobiles. They are strategically placed in the retail outlets to catch buyers' attention. A POP display contributes to an increase in sales of the product. The major problem with the POP display is the limited space available in the small retail outlets. Retailers receive numerous displays from manufacturers and they can exhibit only a few of them in the limited space.

Premiums: Premiums are items offered for free or at minimum costs as a bonus for a purchase of a product. Premiums are the most extensively used sales promotion tools in Nepal. Beer, cold drinks, instant noodles and many other consumer products have regular premium schemes. Premiums can provide an immediate boost to sales by attracting competitors' customers. Premiums are either disclosed or openly displayed on the package, or undisclosed and placed inside the packet.

Price offs: discounts

Consumer contests: Consumer contests invite consumers to participate in a contest to win various prizes using their analytical and creative skills. Contests may be organized to solve a cross-word or other puzzles. Marketers generally receive the answer to the contest on the empty packages of a product. Consumers buy the product in order to participate in the contest. This boosts the sales of the product.

Consumer sweepstakes: Consumers participate in sweepstakes (lotteries) by entering their names as participants. Consumers are required to send in several empty packages along with their names. Prizes are drawn over all the collected names. Sweepstakes are less expensive but more effective than contests in stimulating sales.

Personal presentation: celebs presenting the message.

METHODS OF TRADE PROMOTION: Trade or dealer promotion methods are directed at the resellers.

Buy-back allowance or bonus money: Buy-back allowances are bonuses paid to resellers. The amount of bonus is calculated on the purchase of a product during a specified period of time. Such allowances are designed to reward resellers in proportionate to their purchases. Large buyers receive higher level bonuses as compared to small buyers. Buy-back allowances encourage resellers to handle larger inventories.

Free merchandise/.bonus product instantly The resellers may be offered more units of the product at the regular price. This method encourages resellers to buy larger volumes of a product. It relives the manufacturer from maintaining bonus accounts for each reseller.

Buying allowance/price off Buying allowances are temporary price reductions offered to the resellers for purchasing a specified quantity of the product. They are similar to price-offs offered to

consumers. Buying allowances also encourage resellers to buy more units of the product.
Merchandise allowance/ for promotion Merchandise allowances or push money is paid to resellers for their special promotional efforts at the local level. Manufacturers pay push money to retailers for participating in special displays. Wholesalers also receive push money from manufacturers for undertaking local level advertising. Manufacturers may also launch cooperative advertising with resellers. Under this, the costs are partly paid by the manufacturer. A manufacturer may publish a dealer listing including the names of all the retail outlets that handle the product. This encourages retailers to handle the product.
Sales contest Sales contests are organized between resellers to recognize and reward the most efficient channel members. Sales contests are based on purchases for wholesalers and effective displays for retailers. The rewards in such contests may be in the form of cash prizes or special holiday trips.
Dealer loader/gift to many Dealer loader is a gift provided to efficient resellers who purchase a specific quantity of the product during a specified period of time. Gifts may be provided to retailers for their special display efforts.
Dealer listing: name the dealer is published in the advertisement of the producer.
Trade shows: exhibition of group of traders

PUBLIC RELATIONS

Public relations are a broad set of activities used to create and maintain favorable relationships with customers, government officials, press and society. It is achieved through effective personal relationships, presentation of a good corporate image, social responsiveness and charity work. Market survey 2007 showed that nearly 70% customer thinks that company will cheat if they find that they will not be caught. PR assess corporate reputation, audit CRS, internally as well. Hit (brand hitting the media) is one of the main objective of the PR. PR mainly focus on stakeholder not customers. PR mainly focus on image not on product. PR prevent or reduce company image damage. Traditionally, public relations (PR) activities were less recognized in marketing. The PR function was handled by a small department placed directly under the top management. The recent trend is to integrate the traditional PR department into the marketing department and form marketing public relations (MPR) department. The MPR concept has brought the publicity function under it. Thus, today in many organizations, publicity is part of marketing public relations.
According to William J. Stanton: *"Public relation is a management tool designed to favorably influence attitudes toward an organization, its products, and its policies".* According to Philip Kotler: *"Public relations involve a variety of programs designed to promote or protect a company's image or its individual products".*

OBJECTIVES OF PUBLIC RELATIONS

The major role of PR is to build favorable relationship with the various types of publics. The specific importance of PR is as follows:
Build market place excitement before product launch .
Build and maintain customer loyalty
Build direct relationships with consumers
Build relationships with opinion leaders:PR establishes and builds relationship with key opinion leaders and professionals who are likely to influence the sales of the firm's product and the firm's

public image.
Retain customer
Create WOM
Change attitude
Create good will
Develop trust
Cooperation

TOOLS OF PUBLIC RELATIONS

Media relations. It uses the local, national, and international media to place favorable news stories about the firm and its products. The news may be based on a press release, company events (conferences, release of annual reports, and new product or service launch), and sponsorship programs of the firm. Media relations mainly focus on achieving publicity for the firm and its products.

Group relations.The MPR people may work with local community groups, employee groups (labor unions), customer groups (wholesaler associations and retailer associations), and social institutions (Red Cross, cancer society etc.) to solve various social problems. These works are again highlighted in media through publicity measures.

Lobbying. Lobbying involves maintaining individual relationships with important people like legislators, government officials, and social leaders. It aims to influence their opinions in favor of the firm and its products. The lobbyists need various types of motivations such as money, recognition, and personal favors from the marketing firm to act on behalf of the firm in the bodies they work.

Sponsorship of social events. An organization may receive a very good publicity if it sponsors social events. Many organizations sponsor sporting events, cultural gathering, seminars and symposiums to get favorable publicity in the mass media. Such sponsorships build a good image of the organization as a socially responsive establishment. They also provide direct advertising medium for the firm's products and services.

Internet intervention(monitoring and tackling).

Interviews in the media.

Exclusives(giving news to only one channel vehicle)

Networking

Update information

DIRECT MARKETING:

It is direct persuasion by manufacturing to specific customers. E.g. Mail-order, website, telephone, telemarketing, use of internet and email,, mobile, SMS, brochure/ leaflet distribution. It is direct, immediate, one on one, two way, for relationship marketing, for customized message and product. it is enhanced by modern database facilities

Relevance/Benefit to customer: Convenient, time saving, get the low price

Relevance/Benefits to manufacturer: Relationship marketing, low cost due no middle men, cost - effective promotional due to targeting, information on customer, timing rightly to customer.

TRADITIONAL DIRECT MARKETING METHODS

Personal selling: using the sales person of the company to communicate directly to the customer at their places to make the sales deal

Door to door selling: sales person carrying the products to the homes of the consumer and selling on the spot

Chain store: manufacturer: selling its products through its own chain fo stores

vending machine: machine selling the products

mail order: customers order the product advertised through mail and receive the products through mail

brochure/catalogue/leaflet distribution: these materials are distributed to the customers. Customers call or contact the company directly to buy the advertised product in these materials

kiosk marketing: customers can interact to these machine to know about the products they need so they can contact the supplier and the buy the product

MODERN DIRECT MARKETING METHODS

ELECTRONIC COMMERCE: explained in first chapter

TELEMARKETING

The purpose of telemarketing is to make a sale through the use of telephone. Sometimes telemarketers have personal information when they call a customer, knowing the person has purchased products similar or related to theirs from other vendors or outlets.

Prospects of Telemarketing in Nepal: Telemarketing has many advantages and can be effectively utilized in Nepal. Its prospect lies in its characteristics such as cost effectiveness, forced attention, and versatile use.

Cost Effectiveness: Telemarketing probably is the least expensive marketing method. It takes only a few rupees to make a sales call to prospects. Although the success of sales call is low, still the return per successful sales call is high. It is suitable for small firms who have new products to offer to customers. Small new micro enterprises in Nepal can effectively use this form of marketing.

Forced Attention: Telemarketing consistently outperforms all other forms of marketing and is the most powerful marketing vehicle available today. Newspaper and magazine ads, radio promotions, billboards or direct mail demand little or no immediate attention. They can all be ignored easily. Not telemarketing. When the phone rings, the natural response is to answer it.

Effective Message Transfer: It is much easier to get the message across when the customer is engaged in a dialogue and questions can be answered. Two-way communication using telemarketing is very powerful, and often very productive.

Versatile Use: Telemarketing is the ultimate marketing tool. Some popular outbound telemarketing applications include appointment setting, lead generation, surveys, and market research, list cleaning, database update, seminar registration, fund raising, phone sales, and client reactivation.

Increasing Telephone Use

TELEVISION MARKETING

Meaning and Features:Television marketing uses television connections to make the sales demonstration. Television marketing is also known as DRTV, which means Direct Response Television. DRTV is defined as media activity that permits or requests consumers to directly respond to the advertiser. Direct response marketing is a new form of television marketing. It is very effective to know how the firm's advertisements are performing. The number of people who take action (either by buying product or asking more information about it) after seeing the infomercial tells how effective the ads are. Direct response marketing and infomercials, have the ability to reach and affect the audience like no other form of advertisements can. They're engaging, they're informative, and they are persuasive.

Direct response television (DRTV) marketing's most successful products have been:**Fitness equipment, House wares**, **Beauty products**, **Healthcare**

Direct Response Television (DRTV) is a medium that can show products actually in use. DRTV combines the power of television with the precision of direct marketing techniques.

The interested customers use the given telephone numbers to enquire or order for the products. In Nepal, the Asian Sky Shop and Television Shopping Networks use television channels to sell a variety of products ranging from physical fitness gadgets to kitchenware through the television marketing.

Use of Infomercials. A 30 minute Infomercials (paid television advertising program) present viewers with a varieties of information. They give details about their price, their features, how different they are from other products and what benefits the viewers can get from using them. Infomercials provide more information about the products and services they're selling. They have the luxury of time, they can also better persuade viewers to look seriously into what they are offering.

Order through Telephone. Interested customers order for the televised products through the telephone and pay for the product in cash or through credit cards.

Delivery through Courier or Regular Mail. Customers receive the ordered products through personal courier or through the regular post office.

DATABASE MARKETING: Communicating, promoting, and selling activities based on a database management system (DBMS), which stores and refines data generated by a firm's routine marketing and selling efforts. The DBMS constructs customer profiles based on their personal, demographic, geographic, and psychographic characteristics, enabling the firm to direct its marketing efforts with greater accuracy.(www.businessdictionary.com)

Collected by Sushil Awlae, 9851049491. bricksushil@gmail.com